Europäisches Patentamt
European Patent Office
Office européen des brevets

Financial Statements 2025

epo.org

Contents

Audit opinion

1. Audit and audit opinion

We have audited the financial statements, comprising the statement of comprehensive income, the statement of financial position, statement of changes in equity, Statement of Cashflows and notes (Article 69(1a) FinRegs), together with the bookkeeping system of the European Patent Organisation, headquartered in Munich, for the accounting from period 1 January to 31 December 2025 – as disclosed in CA/60/26.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the EPO as at 31 December 2025, and its financial performance and its Cashflows for the year then ended in accordance with the accounting principles of Article 50(g) of the European Patent Convention (EPC) and the Financial Regulations (FinRegs) based thereon.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the section entitled "Auditor's Responsibilities for the Audit of the Financial Statements". We are independent of the EPO in accordance with the ethical requirements in accordance with Article 50(g) EPC and the FinRegs that are relevant to our audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Responsibilities of the President of the EPO

The President of the EPO is responsible for the preparation and fair presentation of the financial statements in accordance with Article 50(g) EPC and the FinRegs. According to Article 1(3) FinRegs, the generally accepted accounting principles of the EPO are the International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB). Furthermore, the President of the EPO is responsible for such internal control as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the President of the EPO is responsible for assessing the organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organisation or to cease operations, or has no realistic alternative but to do so.

4. Auditors' responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the EPO's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the President of the EPO.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the EPO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the EPO to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Munich, 13 April 2026

Board of Auditors

Frank Hervio   Hannes Schuh   Mario Quarta

Financial Statements

Statement of Comprehensive Income for the year ended 31 December 2025

in EUR '000

Revenue	Notes	2025	2024
Revenue from patent and procedural fees	(3)	2 445 889	2 325 883
Other revenue	(3)	3 450	5 839
Other operating income	(5)	8 360	10 124
Employee benefit expenses	(7)	(1 653 092)	(1 700 569)
Depreciation and amortisation expenses	(11)(12)	(56 291)	(50 312)
Other operating expenses	(8)	(255 306)	(251 603)
Operating result		**493 010**	**339 362**
Finance revenue	(9)	1 728 721	1 616 997
Finance costs	(10)	(742 083)	(740 432)
Financial result		**986 638**	**876 565**
Profit / (loss) for the year		**1 479 648**	**1 215 927**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement defined benefit obligations	(22)	3 903 603	1 893 992
Items that may be reclassified subsequently to profit or loss:		—	—
Total comprehensive income/loss for the year		**5 383 251**	**3 109 919**

The notes are an integral part of the financial statements.
Information on potential future national renewal fees is provided in Notes 2.5.3 and 4

Statement of Financial Position as at 31 December 2025

in EUR '000

Assets	Notes	2025	2024
Non-current assets			
Property, plant and equipment	(11)	630 093	619 816
Intangible assets	(12)	24 651	31 801
RFPSS financial assets		*14 492 015*	*13 255 982*
RFPSS other assets		*717*	*647*
RFPSS restricted cash		*242 049*	*195 762*
RFPSS financial liabilities		*(805)*	*(40 807)*
RFPSS other liabilities		*(180)*	*(132)*
RFPSS net assets	(14)	14 733 796	13 411 452
Investments	(15)	5 541 131	4 593 754
Home loans to staff	(16)	73 018	77 737
Other financial assets	(17)	—	—
Other assets	(18)	382 032	323 160
Total non-current assets		21 384 721	19 057 720
Current assets			
Trade and other receivables	(19)	202 124	209 109
Investments	(15)	—	30 605
Home loans to staff	(16)	8 114	8 324
Other financial assets	(17)	182 000	—
Prepaid expenses	(20)	27 256	29 242
Cash and cash equivalents	(21)	102 813	221 755
Total current assets		522 307	499 035
Total assets		**21 907 028**	**19 556 755**

in EUR '000

Equity and liabilities	Notes	2025	2024
Equity			
Retained earnings		230 478	(1 249 170)
Other components of equity		2 466 345	(1 437 258)
Total equity		**2 696 823**	**(2 686 428)**
Non-current liabilities			
Defined benefit liability	(22)	16 973 289	20 130 307
Salary Savings Plan obligation	(23)	381 795	322 908
Other employee-related liabilities	(24)	60 686	37 034
Lease liabilities	(13)	27 943	13 930
Prepaid fees	(3)	926 586	875 002
Total non-current liabilities		18 370 299	21 379 181
Current liabilities			
Other employee-related liabilities	(24)	160 620	168 329
Trade and other payables	(25)	237 492	226 875
Lease liabilities	(13)	5 548	3 492
Provisions	(26)	6 191	6 463
Prepaid fees	(3)	430 055	458 843
Total current liabilities		839 906	864 002
Total liabilities		19 210 205	22 243 183
Total equity and liabilities		**21 907 028**	**19 556 755**

The notes are an integral part of the financial statements.
Information on potential future national renewal fees is provided in Notes 2.5.3 and 4..

Statement of Changes in Equity for the year ended 31 December 2025

in EUR '000

	Issued capital	Reserves: Cumulative changes in equity not recognised through profit or loss	Retained earnings	Total equity
Balance at 1 January 2024	**—**	**(3 331 250)**	**(2 465 097)**	**(5 796 347)**
Changes in equity for 2024				
Remeasurement defined benefit obligations		1 893 992		1 893 992
Profit (loss) for the period			1 215 927	1 215 927
Balance at 31 December 2024	**—**	**(1 437 258)**	**(1 249 170)**	**(2 686 428)**
Changes in equity for 2025				
Remeasurement defined benefit obligations		3 903 603		3 903 603
Profit (loss) for the period			1 479 648	1 479 648
Balance at 31 December 2025	**—**	**2 466 345**	**230 478**	**2 696 823**

The notes are an integral part of the financial statements.
Information on potential future national renewal fees is provided in Notes 2.5.3 and 4.

Statement of Cash Flows for the year ended 31 December 2025

in EUR '000

Cash flows from operating activities	Notes	2025	2024
Cash receipts from Patent Applicants	(3)	1 665 437	1 623 604
Cash receipts from Member States - patent related	(3)	833 568	795 654
Cash receipts from Member States - reimbursement of VAT and other taxes		35 499	38 212
Cash receipts from other users and other cash receipts		4 758	4 838
Cash receipts from transfers of pension rights	(22)	5 655	3 694
Total operating cash receipts		**2 544 917**	**2 466 003**
Payments to staff - salaries and allowances	(7)	(1 004 916)	(991 439)
Payments to pensioners and former staff	(22)	(421 918)	(395 631)
Payments to healthcare provider for staff and pensioners	(22)	(112 186)	(105 125)
Payments to the European School Munich		(26 939)	(26 829)
Payments to suppliers of goods and services		(284 409)	(290 517)
Net investments in Salary Savings Plan	(23)	(27 060)	(29 414)
Payment of fees to UP Participating Member States		(18 228)	(7 136)
Payment of fees to Extension and Validation States	(3)	(994)	(1 134)
Total operating cash payments		**(1 896 650)**	**(1 847 226)**
Cash Flow from operating activities		**648 267**	**618 777**

Cash flows from investing activities	Notes	2025	2024
Acquisition of tangible and intangible assets	(11,12)	(33 210)	(47 056)
Proceeds from sale of assets	(11,12)	—	—
Net statutory investments in RFPSS	(14)	(23 510)	(23 637)
Net voluntary investments in RFPSS	(14)	—	—
Net investments in EPOTIF	(15)	(560 000)	(780 000)
Home Loans granting	(16)	(5 286)	(5 542)
Home Loans repayment	(16)	10 928	10 599
Home Loans interest payment	(16)	729	701
Net Investments in bank deposits	(17)	(182 000)	115 360
Net Investments in bonds	(15)	30 750	166 157
Interest from deposit and current account	(9)	6 807	15 257
Cash flow from Investing activities		**(754 792)**	**(548 161)**

Cash flows from financing activities	Notes	2025	2024
Interest paid	(13)	(1 122)	(288)
Repayment of lease liabilities	(13)	(11 295)	(3 998)
Cash flow from Financing activities		**(12 417)**	**(4 286)**

Net increase/(decrease) in cash and cash equivalents		**(118 942)**	**66 330**
Cash and cash equivalents net of bank overdrafts at the beginning of the period		**221 755**	**155 425**
Effect of exchange rate changes on cash and cash equivalents			
Cash and cash equivalents net of bank overdrafts at the end of the period		**102 813**	**221 755**

The notes are an integral part of the financial statements.
Information on potential future national renewal fees is provided in Notes 2.5.3 and 4

Notes

1. General information

The European Patent Organisation (the EPO) is an intergovernmental organisation set up pursuant to the European Patent Convention (EPC) which entered into force in 1977. It is the outcome of the European countries' collective political determination to establish a unitary patent system in Europe.

The EPO comprises its legislative body, the Administrative Council, and its executive body, the European Patent Office (the Office). The EPO is represented by the President of the Office. The task of the EPO is to grant European patents and is carried out by the Office supervised by the Administrative Council.

The EPO is a legal entity and has its seat in Munich, a branch at The Hague/Rijswijk and sub-offices in Berlin and Vienna. The address of its head office is Bob-van-Benthem-Platz 1, 80469 Munich, Germany.

As laid down in the EPC and in the EPO's Financial Regulations, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as provided by the International Accounting Standards Board (IASB).

These financial statements were authorised for issue by the President on 15 April 2026.

With respect to the information provided in the Statement of Comprehensive Income and in the Statement of Financial Position, it should be noted that:

- the EPO is an intergovernmental organisation where the Contracting States are obliged to finance any deficit;
- the value of future national renewal fees for European Patents cannot be shown as an asset but is an essential factor for the EPO's actual financial position. For more details, see Notes 2.5.3 and 4.

2. Material accounting policy information

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. As required by amended IAS 1, the EPO presents profit or loss and other comprehensive income in one statement, the Statement of Comprehensive Income, with expenses analysed by nature. The cash flows from operating activities have been prepared in line with IAS 7.18a using the direct method. The classes of gross cash receipts and gross cash payments have been obtained based on IAS 7.19b by adjusting items in the Statement of Comprehensive Income for changes during the period in operating receivables and payables.

2.1 Basis of preparation

The financial statements of the EPO have been prepared in accordance with IFRS. They have been prepared on a historical cost basis, except for financial instruments that are measured at fair value, and the defined benefit obligation measured in accordance with IAS 19. The financial statements are presented in euro (EUR) and all values are rounded to the nearest thousand (EUR '000) unless indicated otherwise.

The EPO does not prepare segment reporting, since IFRS 8 must be applied only by entities whose debt or equity securities are publicly traded and by those in the process of issuing such securities in public securities markets.

New, revised or early adopted standards and interpretations affecting the financial statements in the current year and/or prior years

The EPO did not adopt any new standards or interpretations in 2025.

Standards, amendments, and interpretations to existing standards that are new or revised but not yet effective and have not been adopted early by the EPO

Amendments to IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments
The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9. It is applicable to reporting periods beginning on or after 1 January 2026. The pronouncement is not expected to have an impact on the EPO financial statements.

Annual Improvements to IFRS Accounting Standards applicable to reporting periods on or after 1 January 2026.
The pronouncement comprises the following amendments:

- IFRS 1: Hedge accounting by a first-time adopter
- IFRS 7: Gain or loss on derecognition
- IFRS 7: Disclosure of deferred difference between fair value and transaction price
- IFRS 7: Introduction and credit risk disclosures
- IFRS 9: Lessee derecognition of lease liabilities
- IFRS 9: Transaction price
- IFRS 10: Determination of a ‘de facto agent'
- IAS 7: Cost method

The pronouncements are not expected to have an impact on the EPO financial statements.

Amendments to IFRS 9 and IFRS 7 regarding power purchase arrangements
The amendments enable entities to include information in their financial statements that in the IASB's view more faithfully represents contracts that reference nature-dependent electricity. It is applicable to reporting periods beginning on or after 1 January 2026. The pronouncement is not expected to have an impact on the EPO financial statements.

Third edition of the IFRS for SMEs
The third edition of the standard includes the following major amendments:

- amended section 2 Concepts and Pervasive Principles
- amended section 9 Consolidated and Separate Financial Statements
- amended section 11 Basic Financial Instruments and section 12 Other Financial Instrument Issues (combined into one section)
- new Section 12 Fair Value Measurement
- amended section 19 Business Combinations and Goodwill
- amended section 23 Revenue

It is applicable to reporting periods beginning on or after 1 January 2027. It will have no impact on the EPO financial statements.

IFRS 18 Presentation and Disclosures in Financial Statements
IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. It is applicable to reporting periods beginning on or after 1 January 2027. The EPO has not yet evaluated the impact of this pronouncement.

IFRS 19 Subsidiaries without Public Accountability: Disclosures
IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards. It is applicable to reporting periods beginning on or after 1 January 2027. It will have no impact on the EPO financial statements.

Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures
The amendments cover new or amended IFRS Accounting Standards issued between 28 February 2021 and 1 May 2024 that were not considered when IFRS 19 was first issued. It is applicable to reporting periods beginning on or after 1 January 2027. It will have no impact on the EPO financial statements.

Translation to a Hyperinflationary Presentation Currency (Amendments to IAS 21)
The amendments clarify how companies should translate financial statements from a non-hyperinflationary currency into a hyperinflationary one. It is applicable to reporting periods beginning on or after 1 January 2027. It will have no impact on the EPO financial statements.

Disclosures about Uncertainties in the Financial Statements (Illustrative Examples)
The illustrative examples illustrate how an entity may apply the requirements in IFRS Accounting Standards to disclose the effects of uncertainties in its financial statements using climate-related matters as an example. These illustrative examples do not add to or change the requirements in IFRS Accounting Standards but are intended to improve the application of the existing requirements related to reporting the effects of climate-related risks and other uncertainties. As the illustrative examples are not an integral part of standards they do not have an effective date. It will have no impact on the EPO financial statements.

Amendments to Greenhouse Gas Emissions Disclosures (Amendments to IFRS S2)
The amendments to IFRS S2 aim at supporting entities applying IFRS S2 by reducing the complexity, risk of potential duplication of reporting and related costs of applying specific requirements in IFRS S2. It is applicable to reporting periods beginning on or after 1 January 2027. It will have no impact on the EPO financial statements.

Interpretations and amendments to existing standards which became effective in 2025 but are not relevant for the EPO's operations

Lack of Exchangeability (Amendments to IAS 21)
The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. It is applicable to reporting periods beginning on or after 1 January 2025. It will have no impact on the EPO financial statements.

Amendments to the SASB standards to enhance their international applicability
The amendments remove and replace jurisdiction-specific references and definitions in the SASB standards, without substantially altering industries, topics or metrics. It is applicable to reporting periods beginning on or after 1 January 2025. It will have no impact on the EPO financial statements.

2.2 Consolidation

The EPO does not prepare consolidated financial statements, because under IFRS the EPO constitutes a single entity, including the Reserve Funds for Pensions and Social Security (RFPSS) that is reported as a special class of EPO assets.

2.3 Foreign currency translation

The financial statements are presented in euro, the EPO's functional currency. Foreign currency transactions are translated into euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Comprehensive Income.

2.4 Significant accounting judgements and estimates

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements to conform to IFRS. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the balance sheet date, and the reported amounts of revenue and expenses during the reporting period. The estimates and judgements are continually evaluated and are based on historical experience, third-party transactions, and other factors, including expectations of current and future events that are believed to be reasonable under the circumstances.

The following significant accounting judgements and estimates, and related assumptions and uncertainties inherent in the accounting policies applied, are essential to an understanding of the underlying financial reporting risks and the effects on the financial statements.

- The liabilities relating to the defined benefit pension plans as defined in Note 2.15.2 and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, career development, mortality rates, future pension increases and other actuarial parameters. The mortality table used by the EPO is regularly adjusted, and is based on the International Civil Servants Life Table (ICSLT) produced by the OECD's International Service for Remunerations and Pensions (ISRP). In 2025, the EPO's Actuarial Advisory

Group (AAG) recommended the move to the standard ICSLT 2023 table and to adjust the table with EPO-specific mortality experience including the distribution of pensioner residences in the EPO population, which has been reflected in the 2025 valuation of the defined benefit obligations. Calculation of the defined benefit plan requires assumptions to determine the level of lump-sum payments as tax compensation for the national tax levied on pensions, disclosed as "tax adjustment" in Note 22. Due to the long-term nature of these plans, these estimates are subject to significant legal and actuarial uncertainties.

- The EPO exercises judgement in measuring and recognising provisions related to outstanding legal claims. Judgement is necessary in assessing the likelihood that an outstanding legal claim will succeed and to quantify the possible range of the final settlement.
- Provisions are recorded for liabilities when losses are expected from executory contracts, or a loss is considered probable and can be reasonably estimated. Because of the inherent uncertainties, actual losses may be different from the originally estimated provision. These estimates are updated when new information becomes available.
- Development costs are capitalised in accordance with the accounting policy in Note 2.10. Determining the amounts to be capitalised requires management to make assumptions about technological feasibility, expected benefits, allocation of costs to research or development phases, and the costs directly attributable to development of the assets.
- Where national renewal fees for the reporting period are not received before the closure of the accounts, these are accrued using estimates based on the average amounts received in previous periods, or by using the budget when this data is not available.
- Calculation of the net present value of potential future national renewal fees disclosed in Note 4 requires management to make assumptions about discount rates, exchange rates and the life expectancy of patents in the different countries where the patents have been validated.

2.5 Revenue recognition

2.5.1 Revenue from patent and procedural fees

2.5.1.1 Procedural fees related to the Patent grant process

The EPO, as the patent granting authority for Europe, processes patent applications from filing up to grant (or refusal), opposition procedures against granted patents, and appeals against EPO decisions.

A European patent can be obtained in one of two ways:

(a) European route: direct European patent application (EPC application)

(b) International route: European patent application derived from an international application filed under the Patent Cooperation Treaty (Euro-PCT application).

Principles of revenue recognition for fees from patent granting, opposition, and appeal procedures

The EPO recognises its revenue in accordance with IFRS 15. When a patent application is filed, a contract is established between the EPO and the patent applicant, creating enforceable rights and obligations for both parties. However, the EPO does not usually have individual customer contracts in place but instead performs its patent examination services based on the legal regulations (EPC and PCT) under which patent applicants file their applications.

Patent granting, opposition and appeal procedures are fully standardised at the EPO and consist of different steps. The fees for each step and the corresponding due dates are regulated in the EPC and its Implementing Regulations, and the Rules relating to Fees determine the transaction price.

The EPO as an International Searching Authority (ISA), Supplementary International Search Authority (SISA) and International Preliminary Examining Authority (IPEA) also performs international searches and preliminary examinations on international applications under the Patent Cooperation Treaty (PCT). The fees for each step and the corresponding due dates are regulated in the PCT and the Rules relating to Fees that determine the transaction price.

The patent applicant can decide at any time to abandon the procedure by not paying a fee which is due. The EPO then deems the application to be withdrawn.

In most cases, the EPO does not start performing the service related to each step until the applicant has paid the fees involved.

Fee payments received for patent and procedural fees for which the performance obligation has not yet been satisfied, are recognised in the Statement of Financial Position as liabilities (from contracts with customers), and are recognised as revenue in the Statement of Comprehensive Income when the EPO satisfies its performance obligation by transferring the services as follows, with costs expensed as incurred:

- Filing and page fees: the underlying performance obligation is the examination of the patent application for compliance with the formal requirements. This is satisfied by the EPO shortly after filing/entry into the European phase. Payment is due within one month of the filing date.

- Search fees and claims fees included in the transaction price: the underlying performance obligation for the search service is satisfied once the search report has been dispatched to the patent applicant. According to Article 9.2 of the Rules relating to Fees, an applicant may be entitled to a full or partial refund of the search fees if the EPO was able to make use of a search report previously drawn up by it.

  Furthermore, the applicant can decide at any time to cancel the search contract with the EPO either actively (withdrawal of the application) or passively (application deemed to be withdrawn). According to Article 9.1 of the Rules relating to Fees, the search fee paid for a European or supplementary European search is to be fully refunded if the European patent application is withdrawn, refused, or deemed to be withdrawn at a time when the EPO has not yet begun to draw up the search report.

- Examination fees and claims fees included in the transaction price: the underlying performance obligation for the examination service is satisfied once the written communication of the intention to grant the patent or the decision to refuse the application has been sent to the patent applicant.

  The patent applicant can decide at any time to cancel the examination contract with the EPO either actively (withdrawal of the application) or passively (application deemed to be withdrawn). Under Article 11(a) of the Rules relating to Fees, the examination fee provided for in Article 94(1) EPC is to be refunded in full if the European patent application is withdrawn, refused, or deemed to be withdrawn before substantive examination has begun.

  Under Article 11(b) of the Rules relating to Fees, the examination fee provided for in Article 94(1) EPC is to be refunded at a rate of 50% if the European patent application is withdrawn after substantive examination has begun but before either expiry of the time limit for replying to the first Article 94(3) EPC communication issued by the examining division, even if the applicant has already replied, or, in the case of a direct grant (a grant with no previous Article 94(3) EPC communication), before the date on which the Rule 71(3) EPC communication is dispatched.

Article 11(b) of the Rules relating to Fees applies to all applications for which substantive examination started on or after 1 November 2016 and applies only if they are withdrawn, not if they are refused or deemed to be withdrawn.

- Grant and printing fees: the underlying performance obligation for the grant service is satisfied once the patent is published.

- Opposition fees: the underlying performance obligation is satisfied once the opposition proceedings have been closed, which is once a final decision by the opposition division has been communicated to the parties.

- Appeal fees: the underlying performance obligation is satisfied once the appeal proceedings have been closed, which is once a final decision by the board of appeal has been communicated to the parties.

- Limitation fees: the underlying performance obligation is satisfied once the examining division's decision as to whether the request for limitation is allowable has been communicated to the requester.

- International and international-type PCT search fees: the underlying performance obligation is fully satisfied once the search report has been dispatched to the patent applicant. As prescribed by Rule 41.1 PCT, when establishing the international search report on an international application in its capacity as International Searching Authority, the EPO must, to the extent possible, use the results of any earlier search performed by it. The EPO must then fully or partially refund the search fee, depending on the extent of use it was able to make of the results of that previous search.

- PCT Chapter II examination fees: the underlying performance obligation is fully satisfied once the international preliminary examination report has been dispatched to the patent applicant and the examining division has completed its work.

Fee payments received for the following fees are recognised as revenue in the Statement of Comprehensive Income patent on receipt, with costs expensed as incurred:

- Designation, extension, and validation fees: These are one-off fees payable to ensure protection of the invention in the EPC Contracting States and the extension/validation states of the applicant's choice. The underlying service has already been performed by the EPO at the date of filing, before the fee payment is due. As these fees are not refundable, a liability is not recognised in the Statement of Financial Position for payments for designation or extension and validation fees that are received at the year-end closing date but not yet due.

  Due to the lack of a legal payment obligation by the patent applicant, a trade receivable is not recognised in the Statement of Financial Position for potentially receivable fees at the closing balance sheet date with a due date in the following period.

- Renewal fees for patent applications: renewal fees for patent applications are due in advance on a yearly basis starting from the third year after the filing date and are not subject to the EPO's fulfilment of a performance obligation. The fees are not spread across financial periods where the renewal period runs across two reporting periods. The last renewal fee payable in respect of a European patent application covers the year in which mention of the grant of the patent is published. Renewal fees validly paid three months (six months for the third renewal fee) before the due date under Rule 51(1) EPC are refundable and therefore recognised as prepayments.

2.5.1.2 National renewal fees for granted patents

After a European patent has been granted, the patent proprietor has the option to validate the patent in the Contracting States designated during the patent grant procedure with the renewal fees for subsequent years payable to the designated Contracting States. Under Article 39 EPC, each Contracting State pays 50% (as agreed by the Administrative Council) of its national renewal fee to the EPO for each European patent maintained in that state, at the end of the month following the quarter in which the payment was received by the Contracting State. If the resulting amount that is payable to the EPO is less than a uniform minimum amount set by the Administrative Council, the Contracting State must pay that minimum to the EPO. The structure and level of national renewal fees are fixed by the Contracting States.

Principles of revenue recognition for national renewal fees for granted European patents

National renewal fees are accrued based on the actual data received before year-end closure. If such data is not timely available, the amounts are accrued using the average actual amounts received in the first three quarters of the year or, if these are not available, based on the budget.

2.5.1.3 Renewal fees for granted patents with unitary effect

Since 1 June 2023, the patent proprietor has the possibility to request unitary patent protection to the EPO within one month after the publication of a European patent in the European Patent Bulletin. Patents with unitary effect will be protected within the EU Member States that have ratified the Agreement on the Unified Patent Court (UPC Agreement) providing uniform patent protection in these Member States. In September 2024 an additional Member State ratified the UPC Agreement which increased number of participating Member States from 17 to 18.

It is expected that more EU Member States will ratify the UPC Agreement in the coming years, so that eventually a patent with unitary effect could benefit from the unified patent protection in up to 25 EU Member States.

Fees relating to patents with unitary effect include renewal fees, any additional fees for their belated payment, fees for re-establishment of rights and administrative fees. These fees are paid in full by the patent proprietor to the EPO and are partly distributed to the participating Member States on a quarterly basis. The participating Member States receive 50% of the renewal fees and of any additional fees for their late payment (Article 147 EPC). The costs for the administration of the unitary patent incurred by the EPO shall be borne in their entirety by the participating Member States in line with Article 146 EPC, and are disclosed under Other Operating Income, see Note 5.

Principles of revenue recognition for patent fees for granted European patents with unitary effect

Payment of renewal fees for patents with unitary effect is not subject to the EPO's fulfilment of a performance obligation. Renewal fees are due yearly in advance, and in respect of the years following the year in which the European Patent receives unitary effect. The fees are recognised as revenue on receipt and are not spread across financial periods where the renewal period runs across two reporting periods.

Renewal fees validly paid not more than three months before the due date under Rule 13(2) of the rules related to Unitary Patent Protection (UPR) are refundable and therefore the EPO's share of 50% is recognised as a prepayment.

Administrative fees and fees for the re-establishment of rights are allocated in full to the participating Member States and do not constitute revenue for the EPO.

2.5.1.4 Searches for national offices and third parties

Revenue from searches for national offices and third parties are recognised as revenue upon satisfaction of the corresponding performance obligation, which is upon rendering of the service and the issue of the invoice involved. To better reflect the nature of these revenues and to align them with the internal reporting on search products, they are classified as revenue from patent and procedural fees.

2.5.2 Other revenue

Other revenue includes revenue from patent information services and products, and administrative fees, with the following principles of revenue recognition:

- Revenue from patent information services is recognised upon satisfaction of the corresponding performance obligation, which is upon rendering of the service and issue of the invoice involved.
- For sales of patent information products, the revenue is recognised once control over the goods is transferred to the buyer.
- Revenue from administrative fees is recognised upon satisfaction of the corresponding performance obligation which is upon rendering of the administrative service.

2.5.3 Potential future National Renewal Fees for European patents

The EPO's costs related to the patent granting process from filing up to grant are covered only partly by its own procedural fees, the remainder being financed from national renewal fees for granted European patents (see also Note 2.5.1.2). This is reflected by the EPO when setting its fees for the services delivered in the grant procedure, by explicitly considering potential national renewal fees for granted patents.

Since there is no legal obligation for the patentee to maintain the patent by paying the renewal fees for the maximum term of 20 years, and since the structure and level of the renewal fees are defined by the Contracting States, the net present value of expected future national renewal fees on granted patents is presented in the notes but is not recognised in the Statement of Comprehensive Income and the Statement of Financial Position. It is also possible that EPO income from these fees, together with that from renewal fees for pending applications, will not cover its remaining costs of granting the patent. As these potential future operating losses do not meet the criteria of a liability, the EPO recognises no provision for onerous contracts.

The net present value of potential future national renewal fees for European patents is calculated based on estimated cash flows per Contracting State and year. These cash flows are discounted in line with their expected timing using the discount rates from the zero-coupon yields curve extrapolated from the Euro iBoxx® indices for corporates with an AA rating.

The estimated cash flows are based on the actual number of granted patents at the balance sheet date, with their life expectancy estimated using historical statistics for each Contracting State where the patents are validated.

The current renewal-fee distribution key of 50% and the fee amounts laid down by the Contracting States are taken as constant values over the expected term of the patents.

Further information on the financing of the EPO is provided in Note 31.4 on capital management.

2.6 Finance revenue and finance costs

Gains or losses arising from changes in the fair value of financial assets through profit or loss are presented in the period in which they arise in the financial result section of the Statement of Comprehensive Income.

Interest from assets measured at amortised cost is calculated using the effective interest method and recognised in financial income on an accrual basis. Interest from assets measured at fair value is recognised on an accrual basis.

Dividend income is recognised when the right to receive the payment is established.

2.7 Leases

At inception of a contract, the EPO assesses whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, and therefore is, or contains, a lease.

As a lessee

The EPO recognises a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets are included in *Property, plant and equipment* in the Statement of Financial Position. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, or over the useful life of the underlying asset. The right-of-use asset value is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method calculated as the present value of the discounted lease payments at the commencement date. The discount rate used is the estimated rate that the EPO would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease payments included in the measurement of the lease liability comprise fixed payments, in-substance fixed payments, variable lease payments that depend on an index or a rate and the exercise price of a purchase option that the EPO is reasonably certain to exercise, lease payments in an optional renewal period if the EPO is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the EPO is reasonably certain not to terminate the lease contract early.

The EPO has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets below EUR 1m, and short-term leases including for IT equipment. The EPO recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.8 Income taxes

In accordance with Article 4 of the EPO's Protocol on Privileges and Immunities (EPO-PPI), the EPO and its property and income are exempt from all direct taxes within the scope of its official activities.

2.9 Property, plant and equipment

Property, plant, and equipment are stated at cost (including borrowing cost, if any) less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Land	not depreciated
Building components	10-50 years
Office equipment	3-20 years

The expected useful life of property, plant and equipment is reviewed at each year-end and adjusted if necessary.

For its buildings, the EPO applies the component approach and depreciates parts of buildings with different useful lives separately. The depreciation periods for the components are as follows:

Construction of buildings	50 years
Facade	30 years
Fitting out	20 years
Technical installations	20 years
Electrical installations	10 years

If a part of a component is replaced, the new investment is added to the existing component's value, subject to IFRS recognition criteria, and the useful life of the component is extended accordingly. The carrying amount of the replaced component is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income in the financial period in which they were incurred.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If such an indication exists and the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount.

When assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).

Property, plant, and equipment that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Specific rules relating to the impairment of intangible assets are described in Note 2.10.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use and subsequent disposal. Any gain or loss arising on derecognition of the asset is included in the Statement of Comprehensive Income in the period in which the item is derecognised.

If an asset is kept with the intention to sell and is available for immediate sale in its present condition, then it is reclassified to *Assets held for sale*. After reclassification, the asset is no longer depreciated. *Assets held for sale* are measured at the lower of their carrying amount and fair value less cost to sell.

2.10 Intangible assets

Intangible assets are capitalised at cost. Following initial recognition, an intangible asset is carried at its cost less accumulated amortisation. Amortisation is allocated on a straight-line basis over the useful life of the asset. The amortisation period and method are reviewed at least at each financial year-end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

Acquired software is amortised over a period of 3-5 years. The amortisation period of acquired, and internally developed information systems is determined individually, depending on the expected useful life of the system. Some intangible assets are amortised over 20 years, including databases used by EPO examiners in the patent granting procedure.

Internally generated intangible assets are capitalised if they meet the following recognition criteria:

- completion of the asset is technically feasible;
- the EPO intends to complete the asset and use or sell it;
- the EPO is able to use or sell the asset;
- the asset is expected to generate future economic benefits;
- the financial and technical resources necessary to complete the asset are available;
- the costs attributable to the asset during its development can be measured reliably;
- the total internal and external costs over the project life exceed EUR 3m.

The costs of internally generated intangible assets comprise:

- the cost of services used in generating the asset. This comprises fees for IT consultants, the purchase price of development software and hardware,
- the cost of internal employees involved in generating the asset. This includes salaries allocated to the project based on the time used by internal staff for development activities and recorded in an IT-based system.
- other directly attributable internal costs of materials, services and depreciation incurred in generating the asset;
- programme management cost;
- borrowing cost, if any.

When data concerning internal cost is not available, eligible projects are capitalised based on their external cost only.

The costs incurred in the research phase of internal projects are expensed.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets not yet ready for use are reviewed for impairment at each reporting date. The asset concerned is impaired only if it is no longer in use. This policy is applied for two reasons:

- the intangible assets owned by the EPO are not traded in an active market, which renders any reliable calculation of the recoverable amount impossible, and
- the smallest cash-generating unit to which these intangible assets belong is the EPO as a whole. No reliable estimate of the value in use by the EPO can be made because the EPO is a non-profit institution, and its mission contains non-measurable goals, such as promoting a knowledge-based society in Europe.

Intangible assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised as income or expense in the Statement of Comprehensive Income.

2.11 Other assets

Other assets consist of assets held under the Salary Savings Plan (SSP) and assets held to finance the obligations towards beneficiaries of the former Institut International des Brevets (ex-IIB).

Since its inception in 2009 until 2023, the Salary Savings Plan (SSP) of the Office operated under a bundled arrangement covering both asset management services and the administration of individual participant accounts. In 2023, the administration of individual participant accounts was separated from the asset management arrangement and transferred to a dedicated service arrangement.

In 2025 the SSP assets were transferred to a new external asset management service provider and the SSP assets are invested primarily in passively managed equity exchange traded funds (ETFs) and bond index funds. Previously, the SSP assets were invested through actively managed funds.

Reimbursement rights due from the external service provider are capitalised as other assets measured at fair value determined by obtaining the market price at the balance sheet date. The term "reimbursement right", in this context, denotes the total contributions paid into each individual account plus the corresponding investment returns. SSP reimbursement rights are the EPO's property within the meaning of Article 4 EPO-PPI. They are a special class of asset of the EPO designed solely to settle the amounts owed. Fair value changes are recognised in the Statement of Comprehensive Income as finance revenue or finance costs. The main characteristics of the SSP are summarised in Note 23. A corresponding liability is recognised and presented separately as the Salary Savings Plan obligation in the Statement of Financial Position.

For further information on the SSP see Note 2.15.5.1.

The assets held to finance the obligations towards beneficiaries of the ex-IIB represent the repurchase value of insurance contracts agreed between the ex-IIB and several insurance companies and is presented as a separate asset. The EPO measures these assets at fair value determined by obtaining the repurchase values from the market makers.

2.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The EPO applies IFRS 9 to the reporting of financial instruments.

Financial assets and liabilities are recognised in the Statement of Financial Position when the EPO becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the EPO commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the EPO has transferred substantially all risks and rewards of ownership. A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Initially, financial instruments are recognised at fair value, unless it is a trade receivable without a significant financing component, in which case it is initially measured at the transaction price. For measurement at subsequent reporting dates, the EPO classifies its financial assets according to IFRS 9 at fair value through profit or loss, or at amortised cost. The classification depends on the purpose for which the financial asset was acquired and is defined at initial recognition. The business model for managing the financial assets and the contractual cash-flow characteristics of financial assets is also determined at initial recognition and is re-evaluated at each reporting date.

Financial assets are classified as current if they are expected to be settled within 12 months; otherwise, they are classified as non-current.

RFPSS assets are held with the aim of covering future pension payments. The financial study performed in 2025 recommends to review the potential to use the RFPSS assets for benefit payments from 2029. Therefore, all RFPSS assets are presented in the financial statements as non-current.

(a) Financial instruments at fair value through profit or loss

EPO Treasury Investment Fund (EPOTIF)

The EPOTIF portfolio is managed, evaluated, and measured on a fair value basis and is not held to collect contractual cash flows. The portfolio comprises fixed income instruments, equities, funds, derivatives, and other instruments. The performance of both assets and liabilities included in the EPOTIF portfolio is managed on a fair value basis. Consequently, the EPOTIF portfolio is measured at fair value through profit or loss.

After initial recognition, the fair value of EPOTIF investment units is measured based on the net asset value (NAV) as published by the Master KVG, the capital management company in charge of the fund administration.

Bonds

The bonds portfolio is managed, evaluated, and measured on a fair value basis and is not held to collect contractual cash flows. Consequently, bonds are measured at fair value through profit or loss.

All bonds owned by the EPO are actively traded in the market. At initial recognition, the instruments in this category are measured at fair value. After initial recognition bonds are valued at the market close price on the balance sheet date. Gains or losses are recognised in the Statement of Comprehensive Income in the financial result section.

RFPSS assets

The RFPSS portfolio is managed and evaluated on a fair value basis and is not held to collect contractual cash flows. The portfolio comprises standard and other bonds, shares, funds, derivatives, and other instruments. The performance of both assets and liabilities included in the RFPSS portfolio is managed on the fair value basis. Consequently, the RFPSS portfolio is measured at fair value through profit or loss.

At initial recognition, the instruments in this category are measured at fair value. Transaction costs are expensed in profit or loss for the period in which they were incurred. The instruments that are actively traded in the market are valued at the market auction price (also called close price) on the balance sheet date. If there is no active market for the financial instruments, the last available price from the market maker is used. Gains or losses are recognised in the Statement of Comprehensive Income in the financial result section. A gross presentation is disclosed in Note 30.3.

(b) Financial instruments at amortised cost

Home loans

Home loans are granted to the EPO staff for the construction, purchase, or conversion of residential property at an interest rate lower than the prevailing market rate. Therefore, the fair value at initial recognition is estimated as the present value of all future cash receipts discounted using the prevailing market interest rate for a similar instrument with a similar credit rating.

After initial recognition, home loans are measured at amortised cost using the effective interest method. Instalments and interest payments due beyond 12 months are presented as non-current assets.

Trade and other receivables

After initial recognition, trade and other receivables are measured at amortised cost using the effective interest method, and discounted only if they are due in more than one year.

Bad debts are written off when they become uncollectible, usually due to insolvency of the counterparty. In such cases, the carrying amount of the trade receivables is reduced directly, rather than recognising the impairment on a separate account.

Other financial assets

Bank deposits with maturity above 3 months are shown under other financial assets and are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and short-term deposits with original maturity of three months or less. These are measured at amortised cost. In the Statement of Cash Flows, cash and cash equivalents are presented as defined above, net of any outstanding bank overdrafts, which are shown as such in the Statement of Financial Position.

RFPSS restricted cash

RFPSS restricted cash is cash and cash equivalents used for the purchase or received from the sale of RFPSS investments. RFPSS restricted cash comprises cash at bank, short-term deposits with a term to maturity of three months or less from the balance sheet date, and cash collateral relating to derivative transactions (margin account). According to the EPO regulations, RFPSS assets including cash cannot be used for operational purposes, but only for post-employment benefit payments. Therefore, the cash of the RFPSS is presented separately as part of non-current RFPSS net assets and is measured at amortised cost.

Trade and other payables

Trade and other liabilities are initially recognised at fair value and subsequently measured at amortised cost under the effective interest method. Trade payables include liabilities for goods received or services already performed but not yet invoiced and refund liabilities.

RFPSS other assets

RFPSS other assets comprise mainly receivables from dividends and amounts from the sale of RFPSS assets.

RFPSS other liabilities

RFPSS other liabilities comprise amounts payable for the purchase of RFPSS assets, as well as other trade payables.

Lease liabilities

Reference is made to Note 2.7.

Impairment

The EPO recognises an expected credit loss allowance on financial assets that are measured at amortised cost. The loss allowance is measured at an amount equal to 12 months' expected credit losses unless the credit risk on the financial instrument has increased significantly since initial recognition, in which case the loss allowance is measured at an amount equal to the lifetime expected credit losses. The credit loss on the financial asset is measured as the present value of the difference between the cash flows that are due to the EPO under the contract and the cash flows that the EPO expects to receive.

Fair value measurements

The EPO uses the following techniques and inputs to determine the fair value measurements:

- The fair value of instruments that are actively traded in the market is measured at the market auction price (also called the close price) on the balance sheet date.
- The fair value of instruments for which there is no active market is measured at the last available price from the market maker.
- The fair value of EPOTIF investment units is measured based on the net asset value as published by Master KVG, the capital management company in charge of the fund administration.
- The fair value of home loans is calculated as the present value of the future cash flows discounted using the prevailing market interest rates and applying the Moosmüller method. Interest rates used as input for the model are Euribor rates and the rates of AAA-rated Euro-area central-government bonds.

The EPO's policy is to recognise transfers into and out of fair value levels as at the date of the event or change in circumstances that caused the transfer.

2.13 Prepaid expenses

To ensure that the Statement of Comprehensive Income reflects only expenses for services rendered or goods received within the reporting period, payments made in advance for goods or services to be received in future periods are recognized as prepaid expenses.

2.14 Equity

In compliance with the EPC, no issued capital is designated.

2.15 Employee benefits

Employee benefits comprise any benefits payable by the EPO to beneficiaries as described in Note 22.2.1.

2.15.1 Short-term employee benefits

Short-term employee benefits are those benefits (other than post-employment benefits) that are expected to be wholly settled within twelve months of the end of the annual reporting period in which the services were rendered. Obligations resulting from short-term employee benefits are presented in the Statement of Financial Position under Current Liabilities as other employee-related liabilities. These liabilities mainly include bonus payments and compensated absences such as regular annual leave and home leave which are determined by applying an average daily cost rate, based on year-end figures, to granted but untaken leave.

2.15.2 Post-employment benefits – defined benefit liability

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. At the EPO, the benefits are grouped into four plans that are treated as defined benefit obligations (DBOs) for its employees:

- two retirement pension plans including retirement for health reasons, any tax compensation thereon, and family allowances (see Note 2.15.3)

- an LTC plan (see Note 2.15.4)
- a sickness insurance for pensioners (see Note 2.15.4)
- a death insurance involving lump-sum payments (see Note 2.15.4).

The pension benefit is usually dependent on one or more factors such as age, years of service and pay. Assets held to fund part of the pension obligations, lump-sum payments made in tax compensation for national taxation of pensions, long-term care (LTC) insurance, and sickness insurance for pensioners and those entitled under them are invested by the RFPSS but do not represent plan assets in terms of IAS 19.8.

For all employees declared to be on incapacity following a medical opinion, a provision is recognised on a case-by-case basis for 70% of their basic salary and salary-related allowances for that part of time for which they are discharged from duties for reasons of incapacity, during the entire expected period of incapacity. Since there is no vesting period, for all such employees vesting occurs immediately following the declaration that they are incapacitated. Therefore, no provisions are recognised for the potential risk of incapacity in the group of active employees.

Allowances to persons on non-active or retired status are considered as post-employment benefits accounted for under the rules of defined benefit plans, whereas the salary (or percentage thereof) and salary-related allowances payable during discharge from service for reasons of incapacity are considered as other long-term employee benefits.

The potential risk of retirement for health reasons is recognised under the normal pension scheme of the EPO.

2.15.3 Pension plans

The liability recognised in the Statement of Financial Position in respect of the defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the balance sheet date, together with any adjustments for past service costs.

The DBO is calculated annually by independent actuaries at the ISRP using the projected unit credit method, taking into account not only the pension obligations and vested pension rights known at the balance sheet date but also expected future salary increases, career development and demographic assumptions about mortality, employee turnover, retirement and other actuarial parameters. The present value of the DBO is also determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. The increase in the present value of the DBO resulting from the employees' service in the current period is classified as service costs.

Actuarial gains and losses are recognised, in total, in other comprehensive income in the period in which they arise.

A beneficiary of the defined benefit pension plan who assumed duty before 1 January 2009 can be entitled to tax compensation ("tax adjustment”) applying to the Contracting State of the EPO in which the pension and related adjustment are chargeable to income tax under the tax legislation in force in that state. The adjustment is equal to 50% of the amount by which the recipient's pension would theoretically need to be increased, for the balance remaining after deduction of the amount of national income tax or taxes on the total to correspond to the amount of the pension calculated without income taxes. For these purposes, the EPO uses tables of equivalence specifying the amount of the adjustment to be added for each amount of pension and each country of residence.

When the EPO introduces a new defined benefit plan, or changes the benefits payable under an existing plan, the difference in DBO is recognised as past service cost.

EPO employees who have previously worked in national government departments, international organisations or industry may be able to arrange a transfer into the EPO pension scheme of retirement pension rights accrued under their previous schemes. In such cases, the EPO determines the number of years' reckonable service credited under its own pension scheme. Valuation differences resulting from inward transfers are recognised as past service cost.

The interest component of the addition to provisions contained in pension expenses is classified as interest costs. Current service costs and past service costs are classified as employee benefit expenses.

2.15.4 Other post-employment benefit obligations

The EPO provides health and LTC insurance for its pensioners and those entitled under them. There is also insurance cover for the event of death. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as for defined benefit pension plans.

Actuarial gains and losses are recognised in total in the period in which they occur, in retained earnings. The obligations are valued annually by independent, qualified actuaries.

Post-employment health insurance is a defined benefit plan covered by the EPO and administered by the insurance broker Cigna International Health Services BVBA, Antwerp, Belgium (Cigna). The insurance obligation is based on anticipated medical costs and the EPO's estimated future contributions for pensioners and their dependents. Cigna directly reimburses beneficiaries under a self-insurance mode. The insurance obligation is based on anticipated medical costs and the EPO's estimated future contributions for pensioners and their dependents. The future benefits are calculated taking into account age-related reimbursement patterns, based on past refunds made to the beneficiaries by Cigna.

Post-employment LTC insurance is also classified as a defined benefit plan. Insured on a compulsory basis are former employees and their dependent children, former employees in receipt of a retirement pension and their dependent children, and dependent children in receipt of an orphan's pension following the death of the insured person. There are also persons who are insured on a voluntary basis. Depending on the degree of reliance on LTC identified, the monthly benefit paid corresponds to defined percentages of the monthly basic salary.

A deferred pensioner can irrevocably opt for LTC Insurance. The Office assesses the probability of deferred pensioners remaining in the LTC scheme. Any amounts resulting from the difference between the estimate of the Office and the actual number of insured persons is recognised as an actuarial gain or loss in Other Comprehensive Income.

Death insurance is a defined benefit plan managed by the EPO. Under this plan, in the event of death, beneficiaries receive a lump sum calculated in proportion to the deceased's last salary. Payments to beneficiaries are made directly by the EPO and are settled after a three-year period. These regular cash-settlements do not affect the actuarial present value of the death obligation. The actuarial present value of the death benefits is based on the terms of the plan as described in Note 22.2.4 using the projected salary levels and the risk of death in service for each plan participant at the balance sheet date.

2.15.5 Other long-term employee benefits

2.15.5.1 Salary savings plan (SSP) obligation

The EPO operates an SSP managed by external service providers. The amount of the SSP to be received by the beneficiaries is recognised as an obligation under other long-term employee benefits and is determined by the amount of contributions paid by the Office and the beneficiary to that plan, together with investment returns on the contributions. Contributions paid by the EPO are included in employee benefit expenses. In contrast to the accounting treatment of pension and other post-employment benefit obligations, any gains and losses have no impact in the Statement of Comprehensive Income as assets and liabilities are impacted the same way. The Salary Savings Plan obligation is presented in the Statement of Financial Position as a separate line item. The main characteristics of the SSP are summarised in Note 23.

2.15.5.2 Incapacity

For any employee declared to be on incapacity following a medical opinion, a provision is recognised on a case-by-case basis for 70% of their basic salary and salary-related allowances for that part of time for which they are discharged from duties for reasons of incapacity, during the entire expected period of incapacity.

2.15.5.3 Other employee-related liabilities

Other employee-related benefits are those that do not qualify as post-employment or termination benefits. These benefits are recognised as a liability in the financial statements over the period in which the employee renders the related service.

2.15.6 Termination benefits

Termination benefits, if any, are payable when employment is terminated by the EPO before the normal retirement date and the EPO is contractually committed to such payments. Benefits due more than 12 months after the balance sheet date are discounted to their present value. Termination benefit obligations are presented in the Statement of Financial Position as part of other employee-related liabilities under current and non-current liabilities.

2.16 Provisions

Provisions are recognised when the EPO has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

If the effect is material, a provision is discounted using the market interest rate and the risks specific to the obligation. This increase in the provision due to passage of time is recognised as finance costs.

2.17 Prepaid fees

Prepaid fees are recognised under IFRS 15 to record fee payments received for services for which the performance obligation has not yet been fully satisfied as well as prepayments for renewal fees for patent applications. See also Note 2.5.

3. Revenue from contracts with customers

The following tables show the disaggregation of the EPO revenue by major products:

3.1 Revenue from patent and procedural fees and other revenue

The revenue breaks down into the following categories:

in EUR '000

Revenue from patent and procedural fees	2025	2024
Procedural fees related to the patent grant process (Note 3.2)	1 643 092	1 541 718
National renewal fees for granted patents	721 233	716 899
Renewal fees for granted patents with unitary effect	20 608	9 563
Searches for national offices and third parties	60 956	57 703
Total	**2 445 889**	**2 325 883**

Other revenue	2025	2024
Patent information services and products	2 589	4 224
Administrative fees	861	1 615
Total	**3 450**	**5 839**

3.2 Procedural fees related to the patent grant process

The different categories of revenue from procedural fees related to the patent grant process are as follows:

in EUR '000

Procedural fees related to the patent grant process	2025	2024
Filing - EPC and Euro - PCT	87 692	87 340
Searches - EP and Euro-PCT	213 562	212 200
International searches - PCT	116 955	127 775
Examination - EPC and Euro-PCT	283 533	238 260
International preliminary examination - PCT	8 813	8 867
Grant - EP and Euro-PCT	128 986	116 512
Opposition	2 918	2 485
Appeal	7 293	7 815
Designation, extension and validation fees	122 099	119 392
Renewal fees for patent applications	665 986	616 093
Others	5 255	4 979
Total	**1 643 092**	**1 541 718**

3.3 Contract balances

The different categories of contract balances are as follows:

in EUR '000

Contract balances	2025	2024
Receivables included in "Trade and other receivables" (see Note 19)	173 656	177 726
Prepaid fees	1 356 641	1 333 844
Refund liabilities included in "Trade and other payables" (see Note 23)	10 697	11 446

The following tables show the changes in the prepaid fees balances during the reporting period:

in EUR '000

Prepaid fees	Opening balance 01.01.2025	Revenue recognised that was included in the prepaid fees at the beginning of the period	Increases due to cash received excluding amounts recognised as revenue during the period	Ending balance 31.12.2025
Filing - EPC and Euro - PCT	21 777	(21 408)	22 986	23 355
Searches - EP and Euro-PCT	164 728	(140 927)	136 245	160 046
International searches - PCT	35 032	(32 353)	29 194	31 873
Examination - EPC and Euro-PCT	1 061 290	(266 971)	299 015	1 093 334
International preliminary examination - PCT	3 592	(3 462)	3 240	3 370
Grant - EP and Euro-PCT	13 053	(12 778)	13 220	13 495
Opposition	4 461	(2 750)	2 394	4 105
Appeal	12 122	(7 024)	3 237	8 335
EQE/EPAC Certificates	979	(974)	1 171	1 176
Others	16 812	(16 099)	16 839	17 552
Total	**1 333 845**	**(504 746)**	**527 541**	**1 356 641**

in EUR '000

Prepaid fees	Opening balance 01.01.2024	Revenue recognised that was included in the prepaid fees at the beginning of the period	Increases due to cash received excluding amounts recognised as revenue during the period	Ending balance 31.12.2024
Filing - EPC and Euro - PCT	21 841	(21 385)	21 321	21 777
Searches - EP and Euro-PCT	171 447	(145 447)	138 729	164 728
International searches - PCT	35 136	(33 059)	32 954	35 032
Examination - EPC and Euro-PCT	983 910	(225 562)	302 942	1 061 290
International preliminary examination - PCT	3 649	(3 498)	3 441	3 592
Grant - EP and Euro-PCT	12 454	(12 155)	12 753	13 053
Opposition	4 197	(2 338)	2 602	4 461
Appeal	16 578	(7 653)	3 197	12 122
EQE/EPAC Certificates	—	—	979	979
Others	14 208	(13 515)	16 119	16 812
Total	**1 263 420**	**(464 612)**	**535 037**	**1 333 846**

The prepaid fees balances correspond to the transaction price allocated to the remaining performance obligations from contracts with customers. Minor modifications to the transaction price are possible if the patent applicant amends the number of claims or pages during the patent application process.

For European, Euro-PCT and international searches, the fee may be not fully realised as revenue, as applicants may be entitled to a refund if the search performed was based on an earlier search drawn up by the EPO and the EPO was able to profit fully or partially from the results of that earlier search. For more details on the search fee refund rules, please refer to Note 2.5.

As an indication, refunds paid out in the reporting period due to the use of previous search reports were:

- For European and Euro-PCT searches: EUR 19.8m (2024: EUR 18.5m), which is 10% (2024: 10%) of the annual revenue for this product category.
- For international PCT searches: EUR 43.1m (2024: EUR 39.1m), which is 34% (2024: 34%) of the annual revenue for this product category.

Furthermore, examination, European and Euro-PCT search fees will not be fully or partly realised as revenue if applicants cancel the contract by withdrawing their application actively or passively or by closing the proceedings. In these cases, the EPO will no longer have a performance obligation. Refunds may fall due depending on whether the examiner has started work when the cancellation takes effect.

As an indication, refunds paid in the reporting period due to active or passive withdrawal by the applicant were:

- For examination: EUR 35.9m (2024: EUR 29.8m), which is 13% (2024: 13%) of the annual revenue for this product category.
- For European and Euro-PCT searches: EUR 3.0m (2024: EUR 3.9m), which is 2% (2024: 2%) of the annual revenue for this product category.

In line with its planned production schedule, the EPO expects to satisfy its remaining performance obligations in place at the balance sheet date for its two main products, search and examination, within:

- 5.5 months (2024: 5.5 months) for searches – EP, Euro-PCT, and international searches – PCT,
- 31.3. months (2024: 35.9 months) for examination – EP, Euro-PCT and international preliminary examination – PCT.

4. Potential future national renewal fees for European patents

As at the balance sheet date the net present value of potential future national renewal fees for European patents was EUR 5 292m (2024: EUR 5 627m).

Cash flows have been estimated individually per Contracting State and year over the term remaining after grant in each Contracting State. The renewal rates were derived from the currently observed behaviour of patent proprietors in the post-grant phase.

The discount rates applied in 2025 in line with the term of the expected cash flows range between 2.42% and 4.41% (2024: between 2.69% and 3.56%). A one percentage point increase in the discount rates applied would result in a decrease of EUR 252m (2024: EUR 291m) in the net present value of potential future national renewal fees.

For further information see Notes 2.4 and 2.5.3.

5. Other operating income

in EUR '000

Other operating income	2025	2024
Member States share of Unitary Patent administration costs	2 250	2 271
Fees for European Qualifying Examination	1 497	1 296
Income from refund of energy tax	589	605
Rental income	434	538
Release accruals from prior years	247	2 127
Tuition fees of EPO Academy	156	187
Reimbursement additional site costs Berlin	71	396
Other	3 116	2 704
Total	**8 360**	**10 124**

6. Operating leases – the EPO as lessor

The EPO has entered into several minor agreements to lease out limited parts of office premises. All these contracts are classified as operating leases with fixed payments subject to periodical adjustments for inflation. The income from these contracts in 2025, including rent and charges, was EUR 434k (2024: EUR 538k).

At 31 December 2025, all non-cancellable lease payments (undiscounted) to be received by the EPO have a maturity of less than one year and amount to EUR 389k (31 December 2024: EUR 388k).

7. Employee benefit expenses

in EUR '000

Employee benefit expenses	2025	2024
Current service cost (net of staff contributions)	419 801	482 413
Basic salaries	856 626	843 511
Allowances and other benefits	284 153	277 836
Healthcare and other cost of social security	42 458	43 594
School and day-care centres	27 262	27 361
Past service costs	1 843	3 072
Remuneration of other employees	11 149	8 946
Other	9 800	13 835
Total	**1 653 092**	**1 700 569**

Detailed information on current service cost is presented in Note 22.

8. Other operating expenses

in EUR '000

Other operating expenses	2025	2024
IT maintenance	131 434	132 332
Consultancy and other external services	43 388	39 060
Property and equipment maintenance	37 556	34 380
Patent information and public relations	15 946	17 139
Documentation	13 067	12 957
Personnel related expenditure	3 714	3 913
Travel	3 399	3 014
Stakeholder support	1 217	879
Postage and telecommunications	1 218	1 617
Charges on payment by credit card	858	754
Other	3 509	5 558
Total	**255 306**	**251 603**

9. Finance revenue

in EUR '000

Finance revenue	2025	2024
Interest income from bank accounts and deposits	6 033	14 270
Interest income from home loans	2 017	2 030
Valuation gains on investments	387 523	290 778
Valuation gains on RFPSS financial instruments	1 297 350	1 254 148
Valuation gains on assets Salary Savings Plan	35 798	55 771
Decrease obligation Salary Savings Plan	—	—
Total	**1 728 721**	**1 616 997**

Further information on gains from financial instruments is presented in Note 30.3.

10. Finance costs

in EUR '000

Finance costs	2025	2024
Interest costs on defined benefit obligations	705 163	684 373
Valuation losses on investments	—	—
Valuation losses on RFPSS financial instruments	—	—
Valuation losses assets Salary Savings Plan	—	—
Increase obligation Salary Savings Plan	35 798	55 771
Interest costs lease	1 122	288
Other	—	—
Total	**742 083**	**740 432**

Further information on losses from financial instruments is presented in Note 30.3.

11. Property, plant and equipment

The reconciliation of the carrying amount of property, plant and equipment for the reporting period is as follows:

in EUR '000

	Land	Buildings	Office equipment	Total
Cost 1 January 2025	**174 732**	**1 194 935**	**119 967**	**1 489 634**
Additions	—	51 545	7 871	59 416
Disposals/Retirements	—	(4 575)	(1 270)	(5 845)
Transfers	—	—	—	—
Cost 31 December 2025	**174 732**	**1 241 905**	**126 568**	**1 543 205**
Accumulated depreciation 1 January 2025	**—**	**(752 742)**	**(104 654)**	**(857 396)**
Depreciation for the year	—	(38 318)	(7 477)	(45 795)
Disposals/Retirements	—	1 231	1 270	2 501
Transfers	—	—	—	—
Accumulated depreciation 31 December 2025	**—**	**(789 829)**	**(110 861)**	**(900 690)**
Accumulated impairment 1 January 2025	—	(12 422)	—	(12 422)
Accumulated impairment 31 December 2025	**—**	**(12 422)**	**—**	**(12 422)**
Net carrying value 1 January 2025	174 732	429 771	15 313	619 816
Net carrying value 31 December 2025	**174 732**	**439 654**	**15 707**	**630 093**
Including construction in progress				
1 January 2025	—	11 309	—	11 309
31 December 2025	—	26 903	—	26 903

Additions to Buildings in 2025 totalled EUR 51.5m, including EUR 27m recognised as the right-of-use asset for the new Berlin office lease (see Note 13), which commenced in February 2025, and EUR 20.7m attributable to various building safety, modernisation and efficiency projects.

Additions to Office Equipment include EUR 4.4m related to the replacement of laptops and display equipment.

Disposals of Buildings primarily relate to the modification of the lease contract for the premises in Haar (See Note 13). Disposals of Office Equipment comprised various audio-visual and telecommunication devices that were no longer in use. These assets were fully depreciated at the time of disposal, and consequently no gain or loss was recognised.

The Shell building in The Hague is scheduled for demolition and was subject to a full impairment loss of EUR 12m in 2023. A legal obligation exists to remove asbestos in compliance with local regulations. Information on the provision for the asbestos decontamination related to this building is disclosed in Note 26.

The EPO building at Bob-van-Benthem-Platz 1 in Munich was constructed under a hereditary building lease granted to the EPO by the German government in 1980 and ending on 8 August 2075. The Hinge building and the New Main building in The Hague were constructed on land leased from the Netherlands in 1988 and ending on 30 May 2068, for the token amount of EUR 0.45 per year.

The comparative figures are presented in the table below:

in EUR '000

	Land	Buildings	Office equipment	Total
Cost 1 January 2024	**174 732**	**1 161 000**	**117 892**	**1 453 624**
Additions	—	34 862	9 178	44 040
Disposals/Retirements	—	(927)	(7 103)	(8 030)
Transfers	—	—	—	—
Cost 31 December 2024	**174 732**	**1 194 935**	**119 967**	**1 489 634**
Accumulated depreciation 1 January 2024	**—**	**(720 874)**	**(103 141)**	**(824 015)**
Depreciation for the year	—	(31 868)	(8 285)	(40 153)
Disposals/Retirements	—	—	6 772	6 772
Transfers	—	—	—	—
Accumulated depreciation 1 January 2024	**—**	**(752 742)**	**(104 654)**	**(857 396)**
Impairment loss for the year	—	(12 422)	—	(12 422)
Accumulated impairment 31 December 2024	—	(12 422)	—	(12 422)
Net carrying value 1 January 2024	174 732	427 704	14 751	617 187
Net carrying value 31 December 2024	**174 732**	**429 771**	**15 313**	**619 816**
Including construction in progress				
1 January 2024	—	29 600	—	**29 600**
31 December 2024	—	11 309	—	**11 309**

Additions to buildings in 2024 include EUR 22.4m for the Vienna Green Hub project which was completed in November 2024 with a total capitalised cost of EUR 43.3m. In this project, the EPO building in Vienna has been renovated into a carbon-negative building with a carbon-neutral lifecycle. Additions to office equipment include EUR 5 912k for new laptops and screens.

Disposals of office equipment comprised various audio, visual and telecommunication devices no longer used and already fully amortised.

12. Intangible assets

The reconciliation of the balances of intangible assets for the reporting period is as follows:

in EUR '000

	Acquired software	Acquired information systems	Internally generated systems	Total
Cost at 1 January 2025	**11 322**	**720**	**101 807**	**113 849**
Additions	—	—	3 346	3 346
Disposals	—	—	—	—
Transfers	—	—	—	—
Cost at 31 December 2025	**11 322**	**720**	**105 153**	**117 195**
Accumulated amortisation 1 January 2025	**(11 020)**	**(719)**	**(70 309)**	**(82 048)**
Amortisation for the year	(149)	—	(10 347)	(10 496)
Amortisation disposals	—	—	—	—
Amortisation transfers	—	—	—	—
Accumulated amortisation 31 December 2025	**(11 169)**	**(719)**	**(80 656)**	**(92 544)**
Net carrying value 1 January 2025	302	1	31 498	31 801
Net carrying value 31 December 2025	**153**	**1**	**24 497**	**24 651**
Including construction in progress				
1 January 2025	—	—	3 016	3 016
31 December 2025	—	—	2 926	2 926

The EPO invests in the development of information systems to support its operations. The amounts capitalised for internally generated systems include only external costs. All internally generated systems developed in the reporting period and included in construction in progress are part of the Strategic Plan. The additions in 2025 relate entirely to IT developments related to the development of a search platform.

The comparative figures are as follows:

in EUR '000

	Acquired software	Acquired information systems	Internally generated systems	Total
Cost 1 January 2024	**11 322**	**720**	**99 432**	**111 474**
Additions	—	—	3 016	3 016
Disposals	—	—	(641)	(641)
Transfers	—	—	—	—
Cost 31 December 2024	**11 322**	**720**	**101 807**	**113 849**
Accumulated amortisation 1 January 2024	**(10 823)**	**(719)**	**(60 347)**	**(71 889)**
Amortisation for the year	(197)	—	(9 962)	(10 159)
Amortisation disposals	—	—	—	—
Amortisation transfers	—	—	—	—
Accumulated amortisation 31 December 2024	**(11 020)**	**(719)**	**(70 309)**	**(82 048)**
Net carrying value 1 January 2024	499	1	39 085	39 585
Net carrying value 31 December 2024	**302**	**1**	**31 498**	**31 801**
Including construction in progress				
1 January 2024	—	—	1 875	1 875
31 December 2024	—	—	3 016	3 016

The additions to internally generated systems in 2024 relate entirely to IT developments related to the development of a search platform within the framework of the Strategic Plan.

13. Right-of-use assets and liabilities from leases

The EPO leases assets to address specific needs for office space and IT equipment. The right-of-use assets recognised by the EPO as at 31 December 2025 relate to dedicated data centre facilities, the leasing of office space in the Haar district of Munich, and the leasing of a new office space in Berlin.

The following amounts for right-of-use assets have been recognised during the reporting period in the statement of financial position (see Note 11):

in EUR '000

Right-of-use assets	Buildings	Office equipment	Total
Balance 1 January 2025	**17 131**	**—**	**17 131**
Additions	29 552	—	29 552
Disposals/Lease modifications	(2 924)	—	(2 924)
Depreciation	(7 309)	—	(7 309)
Balance 31 December 2025	**36 450**	**—**	**36 450**

Additions include the right-of-use asset for the new C1 office lease in Berlin in the amount of EUR 27 027k.

During the reporting period, the EPO finalised an amendment to the existing lease agreement for the premises in Haar, resulting in a reduction of the lease term. This lease modification led to a partial derecognition of the right-of-use asset, amounting to EUR 2 924k, which is presented under Disposals/Lease modifications.

The amounts recognised during the reporting period in the statement of comprehensive income were as follows:

in EUR '000

Financial position statement of comprehensive income	2025	2024
Interest on lease liabilities	1 122	288
Expenses relating to leases of short term & low-value assets	260	689
Total	**1 382**	**977**

The total amounts recognised during the reporting period in the statement of cash flows for finance and operating leases were as follows:

in EUR '000

Cash outflows for leases	2025	2024
Total	**12 473**	**4 976**

The maturity structure of undiscounted lease liabilities at 31 December was as follows:

in EUR '000

Undiscounted lease liabilities	2025	2024
Less than 1 year	6 481	3 723
Between 1 years and 5 years	12 876	9 782
Over 5 years	21 217	4 760
Total	**40 574**	**18 265**

The total future cash outflows associated with the new Berlin office lease at 31 December 2025 amount to EUR 33.0m.

The EPO has not entered into lease contracts that contain substantial variable lease payments. No material sublease or sale-and-lease-back transactions occurred during the reporting period. No leasing costs have been included in the carrying amount of other assets.

The leasing contracts relating to buildings contain standard provisions according to which future lease payments are increased periodically to reflect changes in the relevant consumer price indexes. These potential increases of lease payments may lead to future cash outflows that are not reflected in the current measurement of lease liabilities. The increases will be reflected both in the right-of-use assets and lease liabilities at the time they become effective.

Substantial payments concerning extension or termination options, residual value guaranties, and leases committed not yet commenced, other than those disclosed above, are not present in the EPO leasing contracts. The contracts do not include financial restrictions or covenants for the EPO.

14. RFPSS net assets

The value of RFPSS assets for each post-employment benefit plan on the 31 December was as follows:

in EUR '000

2025	Pensions	LTC	Sickness insurance	Total
RFPSS financial assets	12 945 465	412 832	1 133 718	14 492 015
RFPSS other assets	640	20	57	717
RFPSS restricted cash	216 218	6 895	18 936	242 049
RFPSS financial liabilities	(719)	(23)	(63)	(805)
RFPSS other liabilities	(161)	(5)	(14)	(180)
Total	**13 161 443**	**419 719**	**1 152 634**	**14 733 796**

in EUR '000

2024	Pensions	LTC	Sickness insurance	Total
RFPSS financial assets	11 862 360	365 101	1 028 521	**13 255 982**
RFPSS other assets	578	18	51	**647**
RFPSS restricted cash	175 182	5 392	15 188	**195 762**
RFPSS financial liabilities	(36 517)	(1 124)	(3 166)	**(40 807)**
RFPSS other liabilities	(118)	(4)	(10)	**(132)**
Total	**12 001 485**	**369 383**	**1 040 584**	**13 411 452**

The major categories of RFPSS net assets were as follows:

Asset class share in %	2025	2024
Domestic government bonds	10,9%	11,0%
Domestic corporate bonds	5,9%	7,1%
Foreign bonds	8,9%	8,2%
Emerging market bonds	10,1%	10,0%
Domestic equities	16,1%	16,2%
Foreign equities	26,7%	26,3%
Emerging markets	9,0%	10,0%
Real estate	10,1%	9,7%
Currency forwards	0,3%	0,0%
Cash holdings	2,0%	1,5%
Total	**100,0%**	**100,0%**

15. Investments

The EPO invests its excess liquidity through the EPO Treasury Investment Fund (EPOTIF) and investments in bonds.

EPO Treasury Investment Fund (EPOTIF)
The fund is administered by an external capital management company (Master KVG – Kapitalverwaltungs-gesellschaft). The EPO participates in the fund by purchasing investment units issued by the Master KVG. The fund invests, both directly and in the form of derivative instruments, in equities, fixed-income instruments, real estate trusts, commodities, and alternative investments. Management of the resources invested in the fund by the EPO has been outsourced to asset management companies.

Bonds
The EPO invests in government and corporate bonds with an investment grade rating and a duration to maturity not exceeding 3 years.

The value of the EPO's investment portfolio at the year-end was as follows:

in EUR '000

Investments	2025	2024
EPO Treasury Investment Fund (EPOTIF)	5 541 131	4 593 754
Bonds, non-current	—	—
Bonds, current	—	30 605
Total	**5 541 131**	**4 624 359**

The table below presents the EPOTIF asset allocation at the year-end.

Percentage share in Net Assets Value	2025	2024
Equities	16,2%	15,6%
Profit Participation Certificates (Equities)	0,1%	0,1%
Dividend Claims	0,0%	0,1%
Equity-Index Futures	0,3%	-0,3%
Equity Funds	23,0%	20,9%
Bonds	29,0%	26,7%
Bond Futures	0,0%	0,0%
Fixed-Income Funds	21,3%	21,2%
Commodity Funds	0,6%	0,5%
Currency Forwards	0,3%	-0,6%
Other Funds	5,2%	5,2%
Cash	4,0%	10,6%
Total	**100,0%**	**100,0%**

Net gains and losses on investments were as follows:

in EUR '000

Net gains and losses on investments	2025	2024
Financial assets at fair value through P&L		
valuation gains or losses	387 523	290 778
Total	**387 523**	**290 778**

16. Home loans to staff

in EUR '000

Home loans to staff	2025	2024
Home loans non-current	73 018	77 737
Home loans current	8 114	8 324
Total	**81 132**	**86 061**

Home loans to staff are initially recognised at fair value, which is estimated at the present value of all future cash receipts discounted using the market interest rate for a similar financial instrument of a similar duration. In 2025 the net loss due to the revaluation of new home loans to fair value amounted to EUR 575k (2024: EUR 548k).

17. Other financial assets

Other financial assets include bank deposits with an original maturity of more than 3 months. Bank deposits with an original maturity of 3 months or less are reported in Note 21 as cash and cash equivalents.

in EUR '000

Other financial assets	2025	2024
Other financial assets non-current	—	—
Other financial assets current	182 000	—
Total	**182 000**	**—**

The annualised effective interest rate on fixed-term deposits in 2025 was 2.19% (2024: 3.65%).

18. Other assets

in EUR '000

Other assets	2025	2024
Assets Salary Savings Plan (SSP)	381 795	322 908
Repurchase value insurance funds ex-IIB	237	252
Total	**382 032**	**323 160**

The assets invested under the SSP are held by an external service provider on the EPO's behalf and are owned by the EPO. The main characteristics of the SSP are summarised in Note 23.

19. Trade and other receivables

in EUR '000

Trade receivables	2025	2024
Trade receivables - renewal fees	168 811	170 418
Trade receivables - Search on behalf of Member States	3 583	6 359
Trade receivables - EPO products and services	1 262	949
Total trade receivables	**173 656**	**177 726**
Other receivables		
Other receivables - tax	11 517	21 527
Other receivables - staff and related accounts	1 790	1 659
Other receivables - others	15 161	8 197
Total other receivables	**28 468**	**31 383**
Total trade and other receivables	**202 124**	**209 109**

Trade receivables – renewal fees include the renewal fees payable by the Contracting States under Article 39(1) EPC. These mainly relate to the last quarter of the reported year and are due on 31 January of the following year.

Other receivables – tax comprises VAT and income tax payable to the EPO ("tax adjustment") by the Contracting States.

Other receivables – others mainly consists of accrued income on fixed-term deposits, and advances to suppliers.

20. Prepaid expenses

in EUR '000

Prepaid expenses	2025	2024
Prepaid employee-related expenses	14 151	14 797
Prepaid software expenses	13 105	14 445
Total	**27 256**	**29 242**

Prepaid expenses include mainly prepaid school fees, multiyear software licences, and software maintenance fees.

21. Cash and cash equivalents

The assets reported under Cash and Cash Equivalents have an original maturity of three months or less and comprise the following:

in EUR '000

Cash and cash equivalents	2025	2024
Short-term bank deposits	78 000	196 000
Cash at bank	24 813	25 755
Total	**102 813**	**221 755**

22. Defined benefit liability

in EUR '000

Accounting for 2025	Pension obligation	Long-term care insurance	Sickness insurance	Death	Total
Discount rate	4,49%	4,74%	4,61%	3,60%	
Future salaries increase	2,20%	2,20%		2,20%	
Future pensions increase	2,20%				
Medical costs inflation			2,51%		
Present value of obligation 01.01.2025	17 187 296	834 006	2 076 037	32 968	20 130 307
Interest cost	601 073	29 763	73 296	1 031	705 163
Current service cost	451 510	22 625	37 503	1 873	513 511
Past service cost	1 843	—	—	—	1 843
Transfer of pension rights	5 655	—	—	—	5 655
Benefits paid	(421 308)	(9 898)	(45 867)	(2 514)	(479 587)
Remeasurements on obligation	(3 282 278)	(332 071)	(290 590)	1 336	(3 903 603)
Present value of obligation 31.12.2025	**14 543 791**	**544 425**	**1 850 379**	**34 694**	**16 973 289**
Liability recognised in the Statement of Financial Position	**14 543 791**	**544 425**	**1 850 379**	**34 694**	**16 973 289**
Amounts recognised in the Statement of Comprehensive Income					
Interest cost	601 073	29 763	73 296	1 031	705 163
Current service cost	451 510	22 625	37 503	1 873	513 511
Past service costs	1 843	—	—	—	1 843
Staff contributions	(84 478)	(8 332)	—	(978)	(93 788)
Recognised in the Statement of Comprehensive Income	**969 948**	**44 056**	**110 799**	**1 926**	**1 126 729**

in EUR '000

Accounting for 2024	Pension obligation	Long-term care insurance	Sickness insurance	Death	Total
Discount rate	3,54%	3,59%	3,57%	3,25%	
Future salaries increase	2,20%	2,20%		2,20%	
Future pensions increase	2,20%				
Medical costs inflation			2,51%		
Present value of obligation 01.01.2024	17 987 563	913 277	2 275 351	31 201	21 207 392
Interest cost	580 050	29 714	73 696	913	684 373
Current service cost	511 735	26 246	35 871	1 798	575 650
Past service cost	3 072	—	—	—	3 072
Transfer of pension rights	3 694	—	—	—	3 694
Benefits paid	(392 927)	(9 167)	(43 324)	(4 464)	(449 882)
Remeasurements on obligation	(1 505 891)	(126 064)	(265 557)	3 520	(1 893 992)
Present value of obligation 31.12.2024	**17 187 296**	**834 006**	**2 076 037**	**32 968**	**20 130 307**
Liability recognised in the Statement of Financial Position	**17 187 296**	**834 006**	**2 076 037**	**32 968**	**20 130 307**
Amounts recognised in the Statement of Comprehensive Income					
Interest cost	580 050	29 714	73 696	913	684 373
Current service cost	511 735	26 246	35 871	1 798	575 650
Past service costs	3 072	—	—	—	3 072
Staff contributions	(83 798)	(7 885)	—	(1 732)	(93 415)
Recognised in the Statement of Comprehensive Income	**1 011 059**	**48 075**	**109 567**	**979**	**1 169 680**

The contributions to the post-employment benefit plans are as follows:

in EUR '000

	2025	2024
Pension benefits		
Office contributions	168 956	167 596
Staff contributions	84 478	83 798
LTC benefits		
Office contributions	15 435	14 820
Staff and pensioners' contributions	8 332	7 885
Post-employment medical care		
Office contributions for pensioners	20 425	19 018
Pensioners' contributions	10 292	9 555
Death		
Office contributions	1 531	2 726
Staff contributions	978	1 732
Total	**310 427**	**307 130**

The Office and staff contributions for the next year are estimated to be EUR 358m.

The present value of the pension obligation is made up of the following components:

in EUR '000

	2025	2024
Retirement pension / Retirement pensions for health reasons	11 691 811	13 830 961
Tax adjustment	2 312 546	2 734 339
Family allowances	539 434	621 996
Total	**14 543 791**	**17 187 296**

The present value of defined benefit obligations is allocated to the following populations:

in EUR '000

	2025	2024
Pension obligation		
Active staff	7 882 823	9 904 931
Deferred pensioners	66 357	89 062
Pensioners	6 594 611	7 193 303
LTC insurance		
Active staff	234 603	397 063
Deferred pensioners	473	700
Pensioners	309 349	436 243
Sickness insurance		
Active staff	1 081 617	1 307 968
Deferred pensioners	2 654	2 309
Pensioners	766 108	765 760
Death insurance		
Active staff	34 694	32 968
Deferred pensioners	—	—
Pensioners	—	—
Total	**16 973 289**	**20 130 307**

22.1 Actuarial assumptions and sensitivities

The price inflation hypothesis reflects expected price inflation in the Euro zone, in accordance with the European Central Bank's inflation target of 2%. The assumed future annual benefit and salary increase is 0.2% (2024: 0.2%) above price inflation.

The mortality table in use at the EPO is regularly adjusted for both serving staff and pensioners. For active staff, it is adjusted every two years, to take into account probable future increases in life expectancy. The mortality table applied by the Office is an EPO specific one based on the International Civil Servants Life Table (ICSLT 2023 with projection) produced by the ISRP which is a table specific to international civil servants based in Europe.

Experience adjustments and the effects of changes in actuarial assumptions result in actuarial gains and losses that can be categorised as follows:

in EUR '000

	2025	2024
Pension obligation		
Actuarial (gain) loss from changes in financial assumptions	(2 426 580)	(879 091)
Actuarial (gain) loss from changes in experience and demographic assumptions	(855 698)	(626 800)
LTC insurance		
Actuarial (gain) loss from changes in financial assumptions	(156 896)	(71 346)
Actuarial (gain) loss from changes in experience and demographic assumptions	(175 175)	(54 718)
Sickness insurance		
Actuarial (gain) loss from changes in financial assumptions	(531 829)	(143 337)
Actuarial (gain) loss from changes in experience and demographic assumptions	241 239	(122 220)
Death		
Actuarial (gain) loss from changes in financial assumptions	(708)	(201)
Actuarial (gain) loss from changes in experience and demographic assumptions	2 044	3 721
Total	**(3 903 603)**	**(1 893 992)**

In 2025, the actuarial gains and losses on defined benefit obligations include a EUR 788m decrease in the liability, mainly resulting from changes in demographic assumptions.

A change in the discount rates on defined benefit obligations by 0.1 percentage point would result in the following present value of each plan:

in EUR '000

At 31 December 2025	0.1 percentage point increase	0.1 percentage point decrease
Present value pension obligation	14 319 044	14 773 902
Present value LTC insurance	533 121	556 059
Present value sickness insurance	1 816 248	1 885 421
Present value death	34 496	34 893

in EUR '000

At 31 December 2024	0.1 percentage point increase	0.1 percentage point decrease
Present value pension obligation	16 888 491	17 493 926
Present value LTC insurance	813 208	855 497
Present value sickness insurance	2 032 297	2 121 072
Present value death	32 770	33 169

An increase of one year in life expectancy would result in the following present value of each plan:

in EUR '000

At 31 December 2025	One year increase in life expectancy
Present value pension obligation	14 978 940
Present value LTC insurance	581 806
Present value sickness insurance	1 898 730
Present value death	30 794

in EUR '000

At 31 December 2024	One year increase in life expectancy
Present value pension obligation	17 705 377
Present value LTC insurance	900 187
Present value sickness insurance	2 136 749
Present value death insurance	29 488

The above sensitivity analyses are based on one assumption changing while all others remain constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated using the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligations recognised within the Statement of Financial Position. The methods and types of assumptions used in preparing the sensitivity analysis have not changed compared to the previous accounting period.

The expected maturity analysis of undiscounted defined benefit payments is as follows:

in EUR '000

At 31 December 2025	Less than 1 year	Between 1-5 years	Over 5 years
Pension obligation, net of tax adjustment	382 777	1 818 236	26 427 394
LTC insurance	10 911	53 265	1 735 557
Sickness insurance	42 515	202 076	4 869 457
Death	4 725	15 094	23 689
Total	**440 928**	**2 088 671**	**33 056 097**

in EUR '000

At 31 December 2024	Less than 1 year	Between 1-5 years	Over 5 years
Pension obligation, net of tax adjustment	360 203	1 730 969	27 851 876
LTC insurance	9 388	48 157	2 293 182
Sickness insurance	33 553	168 339	4 739 007
Death	4 230	13 676	22 956
Total	**407 374**	**1 961 141**	**34 907 021**

The expected maturity analysis of undiscounted defined benefit payments is calculated using the salary/pension/cost increase assumptions presented in Note 22.

The undiscounted values of the pension DBO from the above table are net of tax adjustment. Including the tax adjustment would result in a total undiscounted amount of the pension DBO of EUR 33 839m (2024: EUR 35 444m).

The weighted average duration of the defined benefit obligations is as follows:

in years

Duration	2025	2024
Pension obligation	16	18
LTC insurance	22	26
Sickness insurance	19	22
Death	6	6

22.2 Main characteristics of the EPO's defined benefit plans

As an intergovernmental organisation the EPO is not subject to national law and regulations. For all its defined benefit plans the EPO has developed its own regulations that have been approved by the Administrative Council.

Since 1984, the EPO has been setting aside reserves in the RFPSS so that it can fund its pension obligations. Since 2001, it has also been building up a reserve fund for LTC insurance, and since 2008 for sickness insurance. A breakdown of the reserves for each of the funded plans is disclosed in Note 14.

In 1992 the President established the AAG, consisting of three independent actuaries, to advise the Office on the conditions to be met in order to ensure the long-term equilibrium of its pension scheme. The AAG regularly analyses the demographic and financial assumptions and recommends modifications where necessary in view of general trends and specific developments at the Office. The AAG also examines the assumptions specific to LTC and sickness insurance. Neither the scope of the examined plans nor the valuation methods used by the AAG are congruent with IFRS provisions.

Through its defined benefit plans the EPO is exposed to a number of risks, the most significant of which are as follows:

(a) Interest rate risk: changes in market interest rates have a direct impact on the applied discount rates where a decrease in interest rates would increase plan liabilities.

(b) Inflation risk: all plans' benefit obligations are linked to inflation, either directly (medical cost inflation) or indirectly (all plans linked to basic salaries). Higher inflation would lead to higher liabilities, but also likely to a higher discount rate, thereby partly mitigating the impact on liabilities.

(c) Life expectancy: three out of four plans provide benefits for the beneficiary's lifetime, where higher life expectancy would increase those plans' liabilities.

Although the RFPSS assets do not constitute plan assets in terms of IAS 19.8, the EPO monitors their volatility risk. The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If the RFPSS assets underperform this yield, this would increase the funding deficit. The RFPSS have significant equity holdings, which are expected to outperform corporate bonds in the long term but create volatility risk in the short term.

22.2.1 Pension obligation

Type of benefit	Beneficiary	Calculation of the benefit
Retirement pension, old scheme	Staff member who took up duty before 1 January 2009, from age of 60 with at least 10 years (5 years for some key managers) total service; reduced pension possible from the age of 50	2% of last monthly basic salary per reckonable year of service, subject to a maximum of 70% (80% for some key managers)
Retirement pension, new scheme	Staff member who took up duty on or after 1 January 2009, from age of 60 with at least 10 years total service; reduced pension possible from the age of 50	2% of last monthly basic salary capped at twice Grade G1, step 4, per reckonable year of service, subject to a maximum of 70% but not less than the minimum benefit specified in Art 10 (3) of New Pension Scheme Regulations.
Reversion of retirement pension	Surviving spouse/registered partner	60% of the retirement pension
Survivor's pension	Surviving spouse/registered partner	60% of the retirement pension to which the staff member would have been entitled at the time of his death, without the need for a minimum of ten years of service
Orphan's pension	Dependent child, subject to age and education status	40% of the survivor's /reversionary pension (80% if there is no survivor's/reversionary beneficiary)
Retirement for health reasons	Staff members aged between 55 and 65 that have been totally discharged of duties for reasons of incapacity during 10 years and beneficiaries of the former invalidity allowance	Same as for Retirement pension. For employees who have not reached the age of 60, the number of reckonable years is determined as if the employee had remained in service until the age of 60, and the reference salary is 70% of the employee's last salary as defined under the Pension Scheme Regulations.
Family allowances	Beneficiary of the pension plan (Note 2.15.2)	Same as for active staff
Tax compensation, old scheme	Beneficiary of the pension plan (Note 2.15.2)	50% of income taxes on retirement pensions and allowances calculated by use of standardised tables of equivalence specifying the amount of the adjustment to be added to the pension

The Reserve Fund for Pensions is the allocated payments equivalent to the Office's and the staff's pension contributions – 21.4% and 10.7% respectively of basic salaries paid, and after deduction of pensions actually paid. For the reporting period, the total pension contribution rate recommended by the AAG was 32.1% (2024: 32.1%) for the old scheme and 28.5% (2024: 28.5%) for the new scheme.

The EPO Member States jointly guarantee the payment of these benefits. In the event of a merger, reconstitution or other transformation or in the event of dissolution of the EPO, the Administrative Council or any ad hoc body set up in one of the afore-mentioned cases takes the necessary measures to ensure uninterrupted payment of pension scheme benefits until the cessation of entitlement of the last beneficiary. Should an EPO Member or ex-Member State fail to comply with its obligations, the other States meet the cost thereof in proportion to their contribution to the budget of the EPO as fixed annually from and after the said State's default.

22.2.2 Sickness insurance

An employee who has remained in EPO service until retirement or retirement for health reasons, the employee's spouse or registered partner, children and other dependants are insured against expenditure incurred in case of sickness, accident, pregnancy and confinement. One third of the contribution, calculated as a percentage of the pension (2025: 3.15% and 2024: 3.15%) is borne by the employee. A spouse in employment outside the EPO and whose salary exceeds a certain level pays an additional contribution if coverage by the EPO health insurance is desired.

Benefits also apply to a person entitled to a survivor's pension following the death of an employee who was in active employment or who remained in EPO service until retirement. The contribution is calculated as a percentage of the survivor's pension. A person entitled to an orphan's or dependant's pension may also be covered, but only on request. The contribution is calculated as a percentage of the orphan's or dependant's pension.

Where the total medical expenditure not reimbursed for any period of twelve months exceeds half the pension paid, special reimbursement is allowed by the President. In addition, in the case of medical expenditure which exceeds one fifth but is less than one half of the pension, an additional reimbursement is allowed.

22.2.3 Long-term care insurance

An employee, a former employee in receipt of a retirement pension or a retirement pension for health reasons, the employee's (former) spouse, spouse, registered partner, dependent children, and other dependants are insured on either a compulsory or a voluntary basis against expenditure arising from reliance on long-term care. This insurance is intended to provide a fixed amount of financial support to defray some of the expenses incurred if an insured person's autonomy becomes seriously impaired on a long-term basis and the person therefore requires help to carry out everyday activities; it does not include any expenditure on medical fees associated with the treatment of an illness or resulting from pregnancy or an accident.

The following contributions are paid:

(a) a contribution by the Office proportional to the basis formed by the sum of the basic salaries and basic pensions paid to the insured persons plus 6% for those insured persons who have opted for voluntary insurance of their spouse, and the sum of the survivor's pensions. The rate of this contribution is equal to two thirds of a reference rate determined on the basis of an actuarial study carried out by independent experts and was for the reporting period defined to be 1.8% (2024: 1.8%).

(b) a contribution by the insured persons. The rate of this contribution is equal to one third of the reference rate. However, during periods in which a person insured is not in active employment, it is equal to the reference rate.

For employees joining the EPO after the age of 55, the Office and staff contributions are reduced to one third of those defined above.

22.2.4 Death insurance

In the event of death of the insured, the benefits payable is a lump sum equal to 2.75 times the annual basic salary for permanent and fixed-term staff. For the category of employees under the conditions of employment for young professionals, the lump sum payment is equal to one time the annual basic salary.

The contribution for the insurance for funeral expenses is included in the contribution for sickness insurance. One third of the contribution, calculated by reference to the basic salary of the employee, which is required to insure him against the risk of death, is charged to the employee.

An employee who has been in the service of the Office for at least two years may on request continue to be insured, after termination of service, against the risk of death. However, the employee must then bear the total contribution, and the benefits payable are calculated on the basic salary received at the moment of termination of service. The insurance ends at the end of the month during which the employee reaches the age of 65 years.

23. Salary Savings Plan obligation

Since 1 January 2009, the EPO has been operating an SSP which is compulsory for employees who assumed duty on or after that date (participants).

The rate for compulsory contributions to the SSP is equal to the difference between the contribution to the pension scheme for staff in post on 31 December 2008 belonging to the old pension scheme and that payable under the new pension scheme, by applying the cap described in Note 22.2.1. One third of the compulsory contribution is borne by the employee, two thirds by the Office.

An individual salary savings account (individual account) is opened for each participant. The sums credited to the individual account are invested by an external investment fund commissioned by the Office, in accordance with a predefined strategy. The Office offers participants a maximum of three investment strategies. A default investment strategy applies during the first six months of participation; after which each participant may choose a different investment strategy from those offered by the Office and may change it once per calendar year. The Office bears no responsibility for the outcome of application of the default strategy, or the strategies chosen by participants.

On termination of service, participants are entitled to payment of the balance of their individual account as a lump sum corresponding to the contributions paid into the account, plus or minus investment returns. In the event of the participant's death, this entitlement passes to the estate. The lump sum is paid out as final salary. See Note 18 for details of the assets invested under the SSP.

24. Other employee-related liabilities

in EUR '000

Current other employee-related liabilities	2025	2024
Regular vacation	69 407	70 982
Home leave	36 624	41 072
Other compensated absences	29 364	30 303
Outstanding healthcare claims from staff	13 023	14 435
Bonus payments	6 293	6 508
Other	5 909	5 029
Total	**160 620**	**168 329**
Non-current other employee related liabilities	**60 686**	**37 034**

Non-current other employee related liabilities mainly include liabilities for long-term employee benefits resulting from deferred salaries, termination indemnity, jubilee benefits, and obligations due to former non-active staff.

25. Trade and other payables

in EUR '000

Trade and other payables	2025	2024
Deposit accounts by patent applicants, current	134 022	137 568
Payables to suppliers and other creditors	103 424	89 274
Other	46	33
Total	**237 492**	**226 875**

Deposit accounts include funds deposited by patent applicants with the EPO for payment of future patent fees.

Refund liabilities towards applicants and representatives amounting to EUR 10 698k (2024: EUR 11 446k) are included under Payables to suppliers and other creditors, see also Note 3.3.

26. Provisions

in EUR '000

	Litigation risks	Other	Total
1 January 2025	**5 963**	**500**	**6 463**
Use	—	—	—
Reversal	—	—	—
Addition	—	500	500
Interest effect	—	—	—
Use	(772)	—	(772)
31 December 2025	**5 191**	**1 000**	**6 191**
Current	5 191	1 000	6 191
Non-current	—	—	—
Total	**5 191**	**1 000**	**6 191**

Provisions for litigation risks include mainly provisions for staff appeals pending at the Administrative Tribunal of the International Labour Organization. The EPO expects a settlement within twelve months after the balance sheet date.

Other provisions include mainly obligations for legal support in administrative and judicial procedures as well as obligations to fulfil requirements of the EPC, mainly due to external audit of financial statements, adherence to budgetary regulations and internal controls. It is expected that these obligations will be settled within the next 12 months. In 2025, a provision of EUR 500k was recognised to cover the estimated costs of asbestos decontamination as part of the demolition of the Shell building.

27. Commitments

in EUR '000

Purchase commitments	2025	2024
Purchase commitments fixed assets	62 413	7 369
Purchase commitments intangible assets	3 452	447

As of 31 December 2025, commitments for the purchase of property, plant and equipment relate mainly to projects to upgrade the security and technical infrastructure of the Office's buildings.

28. Contingencies and risks

Contingencies and risks are disclosed as at the balance sheet date. Any material changes after the balance sheet date are disclosed in Note 32.

Salary Savings Plan

The participation in the Salary Savings Plan (SSP) is compulsory for all staff who joined the Office on or after 1 January 2009. It allows staff to build up individual savings accounts through monthly contributions deducted from salary (see Note 2.15.5.1). Throughout their EPO employment, the money invested remains the property of the EPO. Consequently, the resulting income is regarded as exempt from direct taxes, under Article 4 EPO-PPI. On termination of service, the employee is entitled to payment of the capital built up under the SSP. As deferred salary, this is subject to internal tax under Article 16(1) EPO-PPI and therefore, in the Office's view, exempt from national tax.

This view might not be shared by all national tax authorities. It is not clear whether a negative outcome of possible court decisions would result in an EPO obligation to compensate staff who relied on a tax exemption. For the reporting period, the EPO does not regard the tax risk as material. The Office will decide on further action, which might involve recognising further liabilities.

Salary Adjustment Method

In 2020, the EPO formally adopted a new salary adjustment method, applied for the first time in January 2021. This new method has been legally challenged by a number of the EPO employees and pensioners in front of the International Labour Organization Administrative Tribunal (ILOAT) in January 2025. The Office is not in a position to anticipate the delivery date of the judgement(s). It is estimated that the delivery of a judgment could take place in the beginning of 2027 at the earliest. As the file stands, the analysis performed by the EPO found it highly unlikely for the appellants to succeed in the litigation. The EPO does not expect any outflow of resources and, consequently, no provision has been recognised in this regard in the financial statements.

Other contingencies and risks

In addition, the EPO has contingencies arising from the ordinary course of business, mainly due to disputed invoices, pending legal disputes and arbitration procedures or appeals by staff members including those in front of the Administrative Tribunal of the International Labour Organization. It is not anticipated that these will give rise to any material liabilities other than those for which provision has been made (see Note 26).

29. Related party disclosures

The EPO has entered into transactions with members of the EPO's key management personnel, their close family members and the Contracting States. The EPO has not applied partial exemptions, if any, for government-related entities provided by IAS 24.

29.1 Related parties to the EPO

29.1.1 Members of key management

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of an entity, directly or indirectly. This applies to the executive body of the Office and the Fund Administrator of the RFPSS.

At the balance sheet date, the EPO had three directorates-general, each headed by a Vice-President.

The President, the Vice-Presidents and specific functional Principal Directors and Directors appointed by the President, constitute the Management Committee (MAC). For the purpose of this note to the financial statements, the MAC members are considered to be related parties.

Besides the MAC members, the RFPSS Fund Administrator is also considered to be a related party. The importance and the size of the funds, combined with the Fund Administrator's functions, make this position equivalent to the members of the MAC.

29.1.2 Close family members of key managers

Close family members of a key manager are those family members who may be expected to influence, or be influenced by, that individual in their dealings with an entity. For the purpose of this note, the partner, children and dependants of the MAC members and the Fund Administrator are considered to be related parties.

29.1.3 Contracting states

The Administrative Council of the EPO is made up of representatives of the Contracting States to the EPC. As the EPO's supervisory body, it exercises legislative powers, decides policy issues, and oversees the Office's activities. Furthermore, Article 37(c) EPC provides that the budget of the EPO is financed, where necessary, by financial contributions from the Contracting States. If the EPO is unable to balance its budget in accordance with Article 40(1) EPC, then under Article 40(2) to (7) EPC the Contracting States must remit special financial contributions to the EPO, the amount of which is determined by the Administrative Council for the accounting period concerned. In Article 40(2) to (4) Pension Scheme Regulations, the Contracting States jointly guarantee payment of the benefits to be paid under the pension scheme. As they appoint their representatives on the Administrative Council and can determine how they vote, the Contracting States themselves are also considered to be related parties to the EPO.

29.2 Transactions and outstanding balances with related parties

Compensation of key managers (MAC members and Fund Administrator) and close family members of key managers

in EUR '000

	2025	2024
Short-term employee benefits*	20 752	20 660
Post-employment benefits, service costs	2 898	4 114
Post-employment benefits, defined contribution plans	—	—
Total	**23 650**	**24 774**

* The salaries included in the short-term employee benefits are reported before deduction of internal tax.

The EPO recognised a defined benefit obligation for post-employment benefits amounting to EUR 82 528k (2024: EUR 107 862k) for 42 (2024: 43) key managers and their close family members.

Expenses with related parties other than compensation of key managers and their close family members

in EUR '000

	2025	2024
MAC members and Fund Administrator	—	—
Close family members of key managers	—	—
Contracting States		
Co-operation with national offices	13 338	11 675
Rent office building Berlin	564	2 575
Work by national offices	—	—
Total	**13 902**	**14 250**

Revenues from patent and procedural fees and other revenues from related parties

in EUR '000

	2025	2024
MAC members and Fund Administrator	—	—
Close family members of key managers	—	—
Contracting States		
Renewal fees for granted patents	721 233	716 899
Searches on behalf of Member States	64 850	61 831
Reductions searches on behalf of MS	(3 894)	(4 128)
Reimbursement rent office building Berlin	71	396
Other revenue	—	5 493
Total	**782 260**	**780 491**

Loans, receivables, and other assets due from related parties

The amounts due from key management personnel and their close family members result from home loans granted by the EPO. The terms for granting home loans are the same as for other EPO employees.

in EUR '000

	2025	2024
MAC members and Fund Administrator	91	118
Close family members of key managers	21	26
Contracting States		
Renewal fees	168 811	170 405
VAT and other taxes	11 515	21 520
Contracting States using EPO services and products	3 580	6 363
Carry-over Unitary Patent balance	—	2
Tax adjustments	2	2
Total	**184 020**	**198 436**

Payables and other liabilities

in EUR '000

	2025	2024
MAC members and Fund Administrator	—	—
Close family members of key managers	—	—
Contracting States	7 459	2 846
Total	**7 459**	**2 846**

Renewal fees for granted patents

The split of renewal fees for granted patents per Contracting State was as follows:

in EUR '000

		2025	2024
AL	Albania	631	581
AT	Austria	25 462	26 031
BE	Belgium	10 741	11 193
BG	Bulgaria	2 139	2 230
CH/LI	Switzerland/Liechtenstein	26 281	25 588
CY	Cyprus	1 288	820
CZ	Czech Republic	6 896	6 828
DE	Germany	261 146	260 939
DK	Denmark	11 244	11 528
EE	Estonia	1 385	1 451
ES	Spain	24 616	24 813
FI	Finland	11 166	10 827
FR	France	85 645	86 084
GB	United Kingdom	77 453	78 356
GR	Greece	4 152	4 222
HR	Croatia	1 265	1 117
HU	Hungary	6 873	5 906
IE	Ireland	7 500	7 537
IS	Iceland	1 607	1 027
IT	Italy	47 055	45 743
LT	Lithuania	1 337	1 417
LU	Luxembourg	1 468	1 553
LV	Latvia	1 331	1 375
MC	Monaco	1 133	1 188
ME	Montenegro	(9)	10
MK	North Macedonia	214	231
MT	Malta	431	445
NL	Netherlands	46 530	47 256
NO	Norway	8 460	7 500
PL	Poland	7 388	7 236
PT	Portugal	6 873	6 762
RO	Romania	3 589	3 772
RS	Serbia	1 538	1 278
SE	Sweden	16 515	15 073
SI	Slovenia	1 829	2 003
SK	Slovakia	2 756	2 582
SM	San Marino	349	308
TR	Türkiye	4 939	4 089
Total		**721 216**	**716 899**
	Interest on renewal fees	17	
Total renewal fees including interest		**721 233**	**716 899**

30. Additional disclosures on financial instruments

30.1 Financial instruments by category

A comparison of the carrying amounts and fair values of the EPO's financial instruments is presented below:

in EUR '000

	Carrying value		Fair value	
RFPSS Financial instruments	**2025**	**2024**	**2025**	**2024**
Financial assets at fair value through profit and loss				
Standard bonds	2 718 763	1 930 960	2 718 763	1 930 960
Other bonds	565 448	1 174 837	565 448	1 174 837
Shares	4 029 921	3 678 263	4 029 921	3 678 263
Funds	7 119 594	6 439 722	7 119 594	6 439 722
Derivatives used for trading	29 094	6 077	29 094	6 077
Other instruments	29 195	26 123	29 195	26 123
Total	**14 492 015**	**13 255 982**	**14 492 015**	**13 255 982**
Financial assets at amortised cost				
RFPSS other assets	717	647	717	647
RFPSS restricted cash	242 049	195 762	242 049	195 762
Financial liabilities at fair value through profit and loss				
Derivatives used for trading	(805)	(40 807)	(805)	(40 807)
Financial liabilities at amortised cost				
RFPSS other liabilities	(180)	(132)	(180)	(132)
Total net RFPSS financial instruments	**14 733 796**	**13 411 452**	**14 733 796**	**13 411 452**

Office financial instruments	**2025**	**2024**	**2025**	**2024**
Financial assets at fair value through profit and loss				
EPO Treasury Investment Fund	5 541 131	4 593 754	5 541 131	4 593 754
Bonds	—	30 605	—	30 605
Financial assets measured at amortised cost				
Home loans	81 132	86 061	73 180	79 596
Trade and other receivables	202 124	209 109	202 124	209 109
Other financial assets	182 000	—	182 000	—
Cash and cash equivalents	102 813	221 755	102 813	221 755
Total Office financial assets	**6 109 200**	**5 141 284**	**6 101 248**	**5 134 819**
Financial liabilities measured at amortised cost				
Trade and other payables	(237 492)	(226 875)	(237 492)	(226 875)
Lease liabilities	(33 491)	(17 422)	(33 491)	(17 422)
Total Office financial liabilities	**(270 983)**	**(244 297)**	**(270 983)**	**(244 297)**

* Approximation of fair value

Cash, cash equivalents, trade and other receivables, and trade and other payables have mainly short terms to maturity. Their carrying amounts at the reporting date represent a reasonable approximation of their fair values.

Home loans are not traded in an active market. Their fair value at the balance sheet date is calculated as the present value of the future cash flows discounted using the prevailing market interest rates and applying the Moosmüller method.

The carrying amounts and contractual cash flows of financial instruments have not been affected by the interest rate benchmark reform.

The changes in liabilities arising from financing activities are classified as follows:

in EUR '000

	Lease liabilities	Total
At 1 January 2025	**17 422**	**17 422**
Cash flows:		
Repayment	(11 091)	(11 091)
Non-cash:		
Acquisition	29 552	29 552
Change in lease assumptions	(2 392)	(2 392)
At 31 December 2025	**33 491**	**33 491**

	Lease liabilities	Total
At 1 January 2024	**21 421**	**21 421**
Cash flows:		
Repayment	(3 999)	(3 999)
Non-cash:		
Acquisition	—	—
Change in lease assumptions	—	—
At 31 December 2024	**17 422**	**17 422**

30.2 Fair value hierarchy

Financial instruments are categorised into a three-level hierarchy based on the observability of the inputs used in their valuation.

Level 1 includes exchange-traded instruments for which quoted prices are readily available and highly liquid instruments with quoted prices in active markets.

Level 2 measurements utilise inputs other than quoted prices that are observable either directly or indirectly. For instruments categorized within this level, fair values are determined using the following methodologies:

- RFPSS Financial Instruments were measured based on published net asset values (NAV) of investment fund companies or quoted prices for identical assets in markets that are not active.
- EPOTIF Investment Units were measured at the NAV published by the fund's capital management company (Master KVG).

- Home Loans were calculated as the present value of future cash flows, discounted using the Moosmüller method. The market interest rates used include Euribor and AAA-rated Euro-area government bond rates.

Level 3 measurements are based on unobservable inputs. The EPO held no Level 3 financial instruments during the reporting period.

Financial instruments measured at fair value and those for which the fair value is disclosed in the notes to the Financial Statements are presented in the table below:

in EUR '000

31 December 2025	Level 1	Level 2	Level 3	Total
RFPSS financial assets				
Standard bonds	2 718 763	—	—	**2 718 763**
Other bonds	565 448	—	—	**565 448**
Shares	4 029 921	—	—	**4 029 921**
Funds	—	7 119 594	—	**7 119 594**
Derivatives used for trading	—	29 094	—	**29 094**
Other instruments	—	29 195	—	**29 195**
Office financial assets				
EPO Treasury Investment Fund	—	5 541 131	—	**5 541 131**
Bonds	—	—	—	**—**
Home Loans	—	73 180	—	**73 180**
Total financial assets	**7 314 132**	**12 792 194**	**—**	**20 106 326**
RFPSS financial liabilities				
Derivatives used for trading	—	805	—	**805**
Total financial liabilities	**—**	**805**	**—**	**805**

in EUR '000

31 December 2024	Level 1	Level 2	Level 3	Total
RFPSS financial assets				
Standard bonds	1 930 960	—	—	**1 930 960**
Other bonds	1 160 346	14 491	—	**1 174 837**
Shares	3 678 263	—	—	**3 678 263**
Funds	—	6 439 722	—	**6 439 722**
Derivatives used for trading	—	6 077	—	**6 077**
Other instruments	—	26 123	—	**26 123**
Office financial assets				
EPO Treasury Investment Fund	—	4 593 754	—	**4 593 754**
Bonds	30 605	—	—	**30 605**
Home Loans	—	79 596	—	**79 596**
Total financial assets	**6 800 174**	**11 159 763**	**—**	**17 959 937**
RFPSS financial liabilities				
Derivatives used for trading	—	40 807	—	**40 807**
Total financial liabilities	**—**	**40 807**	**—**	**40 807**

30.3 Gains and losses on financial instruments

Gains and losses on financial instruments are summarised in the table below:

in EUR '000

Financial instruments at fair value	2025	2024
Valuation gains (losses) on financial assets	1 390 259	1 343 829
Income from coupons, dividends and interest	247 953	244 062
Custodian fees and other costs	(1 547)	(1 324)
Sundry	2 186	(834)
Valuation gains (losses) on liabilities	(40 003)	(40 807)
Total	**1 598 848**	**1 544 926**

in EUR '000

Financial assets at amortised cost	2025	2024
Interest income from home loans	2 017	2 030
Interest income from bank accounts and deposits	6 033	14 270
Total	**8 050**	**16 300**

Financial liabilities at amortised cost	2025	2024
Interest costs lease	(1 122)	(288)
Total	**(1 122)**	**(288)**

31. Financial risk management

Risk management policies at the EPO depend on the type of underlying assets. RFPSS portfolio risk management is distinct from that applied to financial instruments held by the Office and EPOTIF.

The main risks arising from the financial instruments include: market risk, liquidity risk, and credit risk. The Budget and Finance Committee, the Administrative Council and the Supervisory Board of RFPSS approve the investment policies and strategy for managing the risks summarised in Notes 31.1 to 31.3.

(a) Financial instruments held by the Office

Financial instruments held by the Office comprise trade receivables and payables, bonds, bank deposits, home loans granted to staff and cash arising from operating activities as well as lease liabilities used to finance the EPO's operations.

Investments in bonds and fixed term deposits are restricted to investment grade instruments with a maximum duration of three years. With the exception of sovereign bonds with the highest available credit rating (AAA), exposure to any single issuer is limited to the higher of EUR 25m or 25% of the portfolio.

(b) EPO Treasury Investment Fund

EPOTIF invests in the following asset classes within the specified limits:

Asset class	Exposure limit as a share of the total portfolio
Equities	40%
Fixed income	60%
Cash	10%
Commodities	5%
Real estate	15%
Alternatives / multi-asset investments	15%

To implement the investments in the above asset classes the EPOTIF is authorised to use all available financial instruments, including physical, derivative, and structured financial products. The instruments held by the EPOTIF are subject mainly to market risk. The risk profile of the portfolio is derived from the EPO's strategic asset allocation, as proposed by the President, and approved by the Budget and Finance Committee. Asset managers may tactically deviate from this strategic asset allocation, as long as they adhere to the asset class limits specified above.

Asset managers are bound by a maximum net portfolio exposure of 100%.

EPOTIF cash holdings are restricted to the depositary or other credit institutions with a registered seat or branch in Germany and are limited to the protection ceiling announced by the German Deposit Protection Fund (Einlagensicherungsfonds).

Securities lending of EPOTIF assets is strictly prohibited. Repurchase agreements are not permitted. Derivative short positions may only be held for hedging purposes. Over-the-counter (OTC) derivative contracts for hedging purpose or to gain exposure can only be entered into with one of six selected counterparties, approved jointly by the EPO and the Master KVG.

(c) Financial instruments held by the RFPSS

The RFPSS allocates assets in accordance with the investment strategy and tactical ranges defined by its Supervisory Board. The lower and the upper bandwidths set the maximum admissible deviations from the strategic asset allocation. In case of a passive bandwidth breach, the Fund Administrator shall take appropriate corrective action. The following asset classes are defined: domestic equities, foreign equities, domestic government bonds, foreign bonds, domestic corporate bonds, emerging market bonds, emerging market equities, real estate, and cash. The assets are managed actively and/or passively.

The risk characteristics of the financial instruments managed by the RFPSS are essentially derived from the risk profile of the strategic asset allocation as defined by the Supervisory Board of the RFPSS.

31.1 Market risk

(a) Financial instruments held by the Office

Market risk for the fixed income securities held by the Office is managed in accordance with the Regulations on the Office's cash reserve (see Note 31a), which specify rating, duration and diversification requirements. As their maximum duration is limited to three years to maturity the market risk of those instruments is low.

The remaining financial instruments held by the Office are not exposed to market price fluctuations. As these instruments are not market listed and the fair value changes would not affect the EPO's profit or loss or equity, a sensitivity analysis has not been performed.

At the reporting date, the Office did not have any material exposure to foreign-exchange risk.

(b) EPO Treasury Investment Fund

Market risks are managed by portfolio diversification, the asset class restrictions defined by the EPO investment guidelines and absolute limits on the total risk exposure of the portfolio measured with Value at Risk (VaR), a statistically based estimate of the potential loss within the portfolio resulting from adverse market movements. The EPO investment guidelines stipulate that the VaR of the investment portfolio (one-year holding period, 95% level of confidence) must not exceed 20% of the EPOTIF net asset value at any time.

The VaR figures are based on the historical simulation method performed by RiskMetrics® RiskManager (MSCI Inc.). The premise behind historical simulation is that potential changes in the underlying risk factors are identical to those observed over a defined historical period of six years. The empirical distributions of returns for all relevant risk factors (exchange rates, interest rates, equity prices, credit spreads, commodity prices, inflation rates, volatilities) are applied to obtain risk statistics on the basis of mark-to-model valuation. The risk factor price scenarios are calculated at a given holding period of 250 business days, on the assumption that the current fund portfolios are to be held over this same horizon. Lastly, the risk factors' P&Ls are finally used to obtain P&L scenarios for both the fund assets and higher aggregation levels (asset classes, fund portfolios, total fund level). The confidence level (expected probability of loss) of 0.95 is obtained as an interpolated order statistic from the simulated P&L distributions.

VaR figures are monitored at both the total fund level and across individual fund segments to ensure compliance with the specified limit.

As at 31 December 2025 the EPOTIF portfolio's VaR was EUR 487m (2024: EUR 416m), which represented 8.8% (2024: 9.1%) of the net asset value.

(c) Financial instruments held by the RFPSS

Market risks are mitigated by diversification and limiting provisions laid down in the investment guidelines and code of procedure and are quantified using Value at Risk (VaR), a statistically based estimate of the potential loss on the portfolio resulting from adverse market movements. This metric makes it possible to estimate the maximum expected loss with a degree of confidence, chosen to be 95%, over a one-month horizon.

The increase in Value at Risk (VaR) in 2025 (EUR 587m compared with EUR 564m in 2024) is primarily attributable to higher assets under management (AUM). This impact was partially offset by a reduction in market risk, which declined from 8.86% in 2024 to 8.39% in 2025, thereby mitigating the increase in VaR in absolute terms.

The VaR figures are based on the assumptions of normal risk factor return distributions and persistence of the statistical characteristics of the distributions of returns in the horizon period. VaR figures are monitored by asset class and relative VaR guidelines are used to monitor aspects of deviations from the benchmarks, which are based on MSCI/FTSE for equity/real estate and Bloomberg/JP Morgan for fixed income. A risk-factor-based model, MSCI Barra One, is used to break risk down and enable management to analyse aggregations and contributions.

Foreign exchange risks are mitigated by maintaining a currency overlay programme at a strategic 60% hedge ratio on US dollar, pound sterling and Japanese yen exposures.

31.2 Liquidity risk

(a) Financial instruments held by the Office

Liquidity risk management involves maintaining a sufficient cash position and ensuring adequate cash flows to meet the entity's short- and long-term liabilities.

The EPO's treasury department monitors the risk of a shortage of funds using a daily cash management tool that analyses the maturity of financial assets and the expected cash inflows and outflows from daily operations.

The EPO is not exposed to significant liquidity risk, as cash generated by its operations is sufficient to cover liquidity needs for both operational and capital expenditure.

Surplus liquidity not needed in the short term is invested in EPOTIF units in accordance with the annual cash flow plan approved by the President of the Office.

The operational cash reserve of the Office is restricted to investment in liquid instruments with a total nominal issue amount of at least EUR 500m. Bonds held by the Office can be divested within two working days.

The expected cash outflows arising from financial instruments of the Office include payment of trade and lease liabilities. As at the reporting date, the maturity structure of future payments for financial liabilities was as follows:

in EUR '000

	2025	2024
Within 1 year	109 905	92 997
More than 1 year	34 093	14 542
Total	**143 998**	**107 539**

(b) EPO Treasury Investment Fund

The Office transfers parts of the cash surplus generated from operating activities to the EPOTIF. A financial study performed by the EPO in 2025 concluded that it will continue to generate an operational cash surplus until at least 2042. It is therefore not expected to redeem any EPOTIF units in the coming years. Nevertheless, the EPO is legally entitled to liquidate all or part of the EPOTIF fund at any time. In such an event, proceeds from redemption of fund units would be available at short notice.

As at the year-end, the margin account held as collateral for EPOTIF derivative transactions amounted to EUR 26.7m (2024: EUR 26.6m).

(c) Financial instruments held by the RFPSS

The Office transfers to the RFPSS the contributions to cover future costs of pensions, sickness insurance and long-term care. The RFPSS reserves managed by the Fund Administration are created to assist the Office in covering its social security schemes under its budget. Owing to the reserve nature of the funds, liquidity risk – defined as the risk of not being able to cover short- or long-term liabilities – is insignificant.

Within the scope of investment management activities, daily operational cash requirements are covered by cash management tools that forecast and allow matching of cash flows generated by investment operations. The margin account relating to collateral for derivative transactions amounted to EUR 0.0m (2024: EUR 0.0m).

The RFPSS financial liabilities include mainly derivatives used for trading and had the following maturity structure as at 31 December:

in EUR '000

Financial liabilities	2025	2024
Less than 3 months	985	40 939
Between 3 months and 1 year	—	—
More than 1 year	—	—
Total	**985**	**40 939**

31.3 Credit risk

Financial instruments used in the EPO's operating activities are subject to limited credit risk. The EPO maintains policies to ensure that sales of patent information services and products are made to customers with an appropriate credit history. Outstanding trade receivables are monitored continually.

Financial assets are considered to have low credit risk if they hold an investment grade issuer rating of at least BBB-/Baa3 from either S&P or Moody's rating agency or have comparable credit risk characteristics. This applies in particular to home loans and bank deposits reported under other financial instruments.

As at the reporting date the gross carrying amount of financial assets exposed to credit risk was as follows:

in EUR '000

	Low Credit Risk		High Credit Risk	
	2025	2024	2025	2024
Home loans	81 132	86 061	—	—
Trade and other receivables	202 124	209 109	—	—
Bonds	—	30 605	—	—
Other financial assets	182 000	—	—	—
Cash and cash equivalents	102 813	221 755	—	—
RFPSS restricted cash	242 049	195 762	—	—
RFPSS other assets	717	647	—	—
Total	**810 835**	**743 939**	**—**	**—**

A financial asset is considered to be credit-impaired once one or more events with a detrimental impact on the estimated future cash flows have occurred, such as: information about serious financial difficulty of the borrower or a high probability it will enter bankruptcy proceeding. The expected credit losses for credit-impaired assets are measured as the difference between the gross carrying amount and the present value of estimated future cash flows.

A default is deemed to have occurred if the delay in payment of interest or principal by the borrower exceeds 30 days, which is the best industry practice used by major rating agencies. In such instances, the borrower's debt is written off in full unless any external information is available that allows for a reliable estimate of the recoverable amount, in which case only the amount that cannot be recovered is written off.

(a) Financial instruments held by the Office

Home loans

Home loans granted to the staff are not subject to significant credit risk. They are granted only to permanent staff, and repayment is secured by the mortgage or other land charge entered in the land register or other appropriate public record. Interest and capital repayments are withheld from a salary or pension. No home-loan borrower has ever defaulted. As this is equivalent to the quality of an AAA instrument, the home loans portfolio is considered to have low credit risk. For these instruments, the EPO calculates a loss allowance amounting to 12-month expected credit losses.

The EPO incorporates the forward-looking information in three economic scenarios: one assuming the current economic conditions will remain unchanged, one assuming deterioration and one assuming improvement of the economic conditions. The probability that the current conditions will remain unchanged has been estimated at 68%, which represents a 1-standard deviation in the normal distribution. The remaining 32% has been equally split between the two other scenarios. The expected credit losses are calculated using S&P Mortgage Default Index. The lifetime default probability represented by the index is adjusted to a 12-month probability by reference to the German Sovereign Credit Default Swap curve. For current conditions, the default probability as at the reporting date is used. For the scenarios with improved/deteriorated economic conditions, the lowest/highest default probability within the last three years is used. The expected loss has been calculated under assumption of a 58% recovery rate, this being the statistic for the German mortgage market. The default probability is adjusted to the 12 month rate. For home loans with a remaining duration of less than one year, the expected loss has been calculated on the basis of a one-year duration, as the effect is immaterial.

As at the reporting date there were no material expected credit losses related to the portfolio of home loans.

Bonds

Bonds purchased by the Office shall have an investment grade rating, defined as a minimum credit rating of BBB- (S&P) or Baa3 (Moody's). In the event of a split rating, the higher rating is applied. Exposure to a single issuer is limited to the higher of EUR 25m or 25% of the portfolio, excluding AAA rated sovereign bonds.

Trade and other receivables

Trade receivables – renewal fees: these include the renewal fees payable by the Contracting States under Article 39(1) EPC. These mainly relate to the last quarter of the reported year and are due on 31 January of the following year.

Other receivables – tax: these include VAT and income tax payable ("tax adjustment") to the EPO by the Contracting States.

Other receivables – others: these consist mainly of accrued income on bonds and fixed-term deposits as well as advances to suppliers

All trade and other receivables are expected to be recovered or settled within 12 months of the balance sheet date and are therefore classified as current assets.

Outstanding balances are constantly monitored and assessed for recoverability. Both internal collection procedures and procedures using an external debt collection agency have been set up, and a list of blacklisted customers is kept.

Bad debts are written off when:

- they become uncollectible due to insolvency of the customer, or
- all internal collection and external debt-collector measures to collect the outstanding amounts have failed, or
- all internal collection measures have failed and, due to the small amount of the outstanding receivable, it is not considered cost-effective to pursue further collection measures.

In the case of a write-off, the carrying amount of trade receivables is reduced directly, rather than recognising the impairment on a separate account.

The EPO estimates the expected credit losses from trade receivables based on the default probability of the member states, as quoted by Bloomberg. The customers are grouped into low risk (below 1% default probability) and high risk (above 1% default probability) portfolios. For both groups, the expected credit losses are calculated using a provision matrix. As at the balance sheet date, the expected credit losses on trade receivables were immaterial.

To calculate the expected credit losses for the portfolio, the EPO uses a provision matrix. The provision matrix is based on its historically observed default rates over the expected lifetime of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historically observed default rates are updated and changes in the forward-looking estimates are analysed.

As at the reporting date, there were no material expected credit losses related to trade and other receivables.

Other financial assets

Other financial assets comprise bank deposits, used in the management of the EPO's operational cash flows.

All deposits with banks which have received the investment grade issuer rating BBB-/Baa3 from either S&P or Moody's rating agency are considered to have a low credit risk. For these instruments, the EPO recognises a loss allowance amounting to 12 months' expected credit losses. The EPO incorporates the forward-looking information in three economic scenarios: one assuming the current economic conditions will remain unchanged, one assuming deterioration and one assuming improvement of the economic conditions. The probability that the current conditions remain unchanged has been estimated at 68%, which represents a 1-standard deviation in the normal distribution. The remaining 32% has been equally split between the two other scenarios. The expected credit losses are calculated using Bloomberg's 1-year default probability. For current conditions, the default probability as at the reporting date is used. For the scenarios with improved/deteriorated economic conditions, the lowest/highest default probability within the last three years is used. The expected loss has been calculated under assumption of a 40% recovery rate, which is the industry standard for valuation of Credit Default Swaps. For deposits with a remaining duration of less than one year, an adjustment for the actual duration of the deposit was made.

The EPO constantly monitors the macroeconomic environment in which the banks operate and, if adverse changes to this environment can reliably be expected, it may adapt the expected default rates using forward-looking information available from Bloomberg.

Should the rating of an instrument fall below the investment grade, the EPO reassesses whether the credit risk of the asset has increased significantly since initial recognition. The major criteria for the reassessment are significant negative changes in credit rating or external market indicators of credit risk, unfavourable price changes of the bank's equity, significant adverse changes in the bank's financial situation or its regulatory, economic, or technological environment. Where there has been a significant increase in the asset's credit risk, the EPO recognises a loss allowance amounting to the lifetime expected credit losses. The amount of losses is calculated based on available external information such as credit default swap prices or Bloomberg's Credit Risk model.

As at the reporting date there were no material expected credit losses related to other financial assets.

(b) EPO Treasury Investment Fund

The EPO investment guidelines impose a limit on the fund's exposure to credit-risk-bearing instruments of 60% of the total portfolio value. The risk of the credit instruments is managed by a limit on the total risk exposure (Value at Risk, one year, 95% level of confidence) of 20% of the Net Asset Value. The EPOTIF Strategic Asset Allocation defines the diversification of the credit-risk-bearing instruments and is used as a benchmark for evaluating asset manager's performance. The target allocation of funds to asset classes subject to credit risk is as follows:

in %

Asset Class	**Weight in portfolio**
Domestic Government Bonds (Aggregate)	7%
Domestic Corporate Bonds	13%
Global Bonds (hedged)	14%
Emerging Markets Bonds Local Currency	7%
Emerging Markets Bonds Hard Currency (hedged)	7%

All EPOTIF debt instruments are managed on the fair value basis.

(c) Financial instruments held by the RFPSS

The limits and requirements governing credit exposures are set out in the Code of Procedure approved by the RFPSS Supervisory Board and are subject to daily monitoring. The key elements of these policies are summarised below.

Investments in fixed income asset classes are restricted to securities within the approved investment universe and must comply with the rating criteria defined for each portfolio. At least 85% of direct bond investments within a portfolio are required to be investment grade. Credit ratings are assessed using ratings assigned by Standard & Poor's, Moody's, and Fitch, with investment grade defined as a rating of BBB- (or equivalent) or higher from any of these agencies. Where multiple ratings are available, the highest rating is applied. Exposure to fixed income securities issued by a single non-government and non-government-related issuer is limited to 25% of the market value of the relevant portfolio. In addition, a limit of 15% of total market value applies to each portfolio for investments in convertible bonds that convert into companies included in the MSCI index. Short-term deposits are required to have a minimum rating of Prime-2 (or equivalent). Cash and fixed-term deposits are generally required to be placed with at least three such institutions.

The table below presents RFPSS-held financial instruments according to the asset classes used by the RFPSS for risk-management purposes:

in EUR '000

31 December 2025	Rating below "A"	Not rated	Rating "A" and higher	Total
Domestic government bonds	385 849	—	1 223 207	1 609 056
Domestic corporate bonds	194 879	—	666 399	861 278
Foreign bonds	—	—	813 877	813 877
Cash and currency forwards	—	—	271 143	271 143
Total financial assets	**580 728**	**—**	**2 974 626**	**3 555 354**

in EUR '000

31 December 2024	Rating below "A"	Not rated	Rating "A" and higher	Total
Domestic government bonds	243 244	—	1 231 414	1 474 658
Domestic corporate bonds	272 826	—	670 317	943 143
Foreign bonds	—	—	687 996	687 996
Cash and currency forwards	—	—	201 839	201 839
Total financial assets	**516 070**	**—**	**2 791 566**	**3 307 636**

For the use of derivatives, limitations and provisions are foreseen in the code of procedure. Options and futures must be traded on a regulated market or with a regulated counterparty. In the case of non-standardised trades (OTC contracts) with a time to maturity of more than 12 months, the counterparty must have at least an A-rating provided by one of Standard & Poor's, Moody's or Fitch. If the contract expires within the next 12 months, a short-term rating of at least A-2 or equivalent is required.

Derivative transactions of the RFPSS are either executed on an exchange or entered into under German master agreements (DRV). In general, under such agreements the amounts owned by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination values are assessed and only a single net amount is due or payable in settlement of all transactions.

The DRV agreements do not meet the criteria for offsetting in the statement of financial position. This is because the RFPSS does not have any currently legally enforceable right to offset recognised amounts, due to the fact that the right to offset is enforceable only on the occurrence of future events such as default.

For the derivative transactions open at year's end, Credit or Debit Value Adjustments are calculated. The counterparty risk assessments are established by the calculation of a Credit Valuation Adjustment (CVA) for OTC derivative assets and, for symmetrical treatment, the Debit Valuation Adjustment (DVA), which is the own credit risk assessment for derivative liabilities. The adjustment amount is determined by assessing the potential credit exposure to a given counterparty and, taking into account any collateral held, the effect of any relevant netting arrangements as well as the expected loss given the default and the credit risk, based on available market information, including the probability of default.

The table below presents a summary of master netting and similar agreements:

in EUR '000

31 December 2025	Gross and net amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount
Financial Assets			
Derivatives used for trading	29 094	(805)	28 289
Total financial assets	**29 094**	**(805)**	**28 289**
Financial Liabilities			
Derivatives used for trading	805	(805)	—
Total financial liabilities	**805**	**(805)**	**—**

in EUR '000

31 December 2024	Gross and net amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount
Financial Assets			
Derivatives used for trading	6 077	(40 807)	(34 730)
Total financial assets	**6 077**	**(40 807)**	**(34 730)**
Financial Liabilities			
Derivatives used for trading	40 807	(40 807)	—
Total financial liabilities	**40 807**	**(40 807)**	**—**

31.4 Capital management

The EPO is a non-profit organisation, and the main objectives of its capital management are to ensure the continuity of its activities as defined in the EPC, in particular granting of European patents, and to meet its obligations to its stakeholders, including: the Contracting States, patent applicants and their representatives, serving and former staff, the suppliers and service providers.

The EPO is financed from its own resources, from its share of national renewal fees and, if necessary, from special contributions by the Contracting States. Any liquidity deficits would be financed by its Contracting States, so the EPO has no risk of insolvency.

According to Article 38 EPC, the EPO's own resources comprise:

(a) all income from fees and other sources, and the EPO's reserves

(b) the resources of the RFPSS which are a special class of assets to support the EPO's pensions and social security scheme by providing the appropriate reserves.

EPO capital management is based on financial planning for a period of five years, including forecasts of IFRS statements. Analyses of possible developments in demand for European patents and in applicant behaviour are conducted in consultation with the relevant stakeholders.

Actual developments during the year are monitored through monthly financial management reports provided to the EPO management and quarterly reporting to the Budget and Finance Committee and the Administrative Council.

The policy and measures described above are part of the EPO management's strategy to ensure that the EPO can continue as a going concern without resorting to special contributions from the Contracting States.

32. Events after the reporting period

No material favourable or unfavourable events occurred between the end of the reporting period and the date when the financial statements were authorised for issue.